

MOGALAKWENA

MUNICIPALITY



2010/2011

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2011

MOGALAKWENA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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GENERAL INFORMATION

MAYOR

R.E. Mothibi (Ms)

SPEAKER

R.M. Mabusela (Ms)

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Councillors:	M.A. Tsebe	M.R. Lebelo (Ms)
	F.M. Mabuela (Ms)	M.S. Tlhaku
	N.S. Montane	M.E. Ramashala (Ms)
	N.V. Mashamaite	C.F.B. Smit
	T.A. Kgaphola	

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External:	Auditor General	Internal:	Own Staff
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PRIMARY BANKER

Standard Bank Limited

REGISTERED OFFICE

54 Retief Street	P.O. Box 34
MOKOPANE	MOKOPANE
0601	0600

Telephone: (015) 491-9600	Facsimile: (015) 491-9755
E-Mail: kekanasw@mogalakwena.gov.za	

MUNICIPAL MANAGER

S.W. Kekana

CHIEF FINANCIAL OFFICER

K.J. Mphago

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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 125, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2011.

S.W. KEKANA
MUNICIPAL MANAGER
31 August 2011

K.J. MPHAGO
CHIEF FINANCIAL OFFICER
31 August 2011

MEMBERS OF THE COUNCIL

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S.W. KEKANA
MUNICIPAL MANAGER
31 August 2011

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FOREWORD

During the 2010/11 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles.

Although capital projects were limited to those financed from external grant funding the municipality has successfully finalised the bulk of the projects identified in the Integrated Development plan. The municipality will in the 2011/12 financial year again embark upon projects identified in the IDP.

Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously forgotten.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the year, in ensuring that we met the targets set in the Integrated Development Plan and the 2010/11 budget.

I thank you.

CLR R.E. MOTHIBI (Ms)
MAYOR
31 August 2011

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AUDIT REPORT

The 2010/11 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Principles (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2010 and 30 June 2011 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 7.1 on *Financial Assets Classification* and Accounting Policy 7.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in IAS 39 (*Financial Instruments - Recognition and Measurement*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

- ◆ Impairment of Trade Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write-down of Property, Plant and Equipment, and Inventories

Accounting Policy 3.9 on *PPE – Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17 (*Property, Plant and Equipment*), GRAP 12 (*Inventory*) and GRAP 102 (*Intangible Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- ◆ GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- ◆ GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- ◆ GRAP 103 Heritage Assets - issued July 2008
- ◆ GRAP 104 Financial Instruments - October 2009

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26 and GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- ◆ Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- ◆ Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- ◆ Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- ◆ Financial Instruments (GRAP 104 - issued October 2009)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. ACCUMULATED SURPLUS (continued)

2.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Initial Recognition (continued)

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	25 - 30	Specialist Vehicles	10 - 15
		Other Vehicles	5 - 15
Infrastructure		Office Equipment	3 - 15
Roads and Paving	10 - 100	Furniture and Fittings	5 - 15
Electricity	15 - 60	Emergency Equipment	5 - 15
Water	15 - 100	Bins and Containers	5 - 15
Sewerage	15 - 60	Specialised Plant and Equipment	10 - 15
Community		Other Plant and Equipment	2 - 15
Community Facilities	25 - 30		
Recreational Facilities	15 - 30		
Security	15 - 25		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Finance Leases

Assets capitalised under Finance Leases are depreciated over their expected useful lives on the same basis as PPE controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 *Heritage Assets*

Heritage Assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, Heritage Assets are carried at cost less impairment losses.

3.8 *Infrastructure Assets*

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.9 *Derecognition of Property, Plant and Equipment*

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21 / IAS 36.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an Intangible Asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an Intangible Asset is acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4. INTANGIBLE ASSETS (continued)

4.2 *Subsequent Measurement, Amortisation and Impairment*

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives, which are estimated to be between 3 to 5 years. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 *Derecognition*

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

**MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- ◆ All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality); and
- ◆ A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

5. INVESTMENT PROPERTY (continued)

5.1 Initial Recognition (continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is being constructed or developed for future use as Investment Property;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- ◆ Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

Investment Properties are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Investment Property is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

6. IMPAIRMENT OF ASSETS

6.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash generating unit to which the asset belongs is determined.

The recoverable service amount of a cash generating asset is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

6. IMPAIRMENT OF ASSETS (continued)

6.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Listed Investments (Shares)	Financial Assets at Amortised Cost
Unlisted Investments (Stock)	Financial Assets at Amortised Cost
Investments in Fixed Deposits	Financial Assets at Amortised Cost
Finance Lease Receivables	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Trade Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Trade Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets (continued)

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

7.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality may have the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities, including Finance Leases	Financial Liabilities at Amortised Cost
Creditors	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost
Consumer Deposits	Financial Liabilities at Fair Value
Bank Overdraft	Financial Liabilities at Fair Value

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

7.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.4 *Impairment of Financial Assets*

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

7.4.1 Financial Assets at Amortised Cost

Accounts Receivables encompass Long-term Debtors, Trade Receivables from Exchange Transactions (Consumer Debtors) and Trade Receivables from non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the municipality first assesses whether objective evidence of impairment exists individually for Financial Assets that are individually significant, and individually or collectively for Financial Assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed Financial Asset, whether significant or not, it includes the asset in a group of Financial Assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.4 Impairment of Financial Assets (continued)

7.4.1 Financial Assets at Amortised Cost (continued)

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

7.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

8.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

8.2.2 Water Inventory:

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

8. INVENTORIES (continued)

8.2 Subsequent Measurement (continued)

8.2.3 Unsold Properties:

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

8.2.4 Other Arrangements:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of Inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

9. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

9.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other spheres of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

10. REVENUE RECOGNITION (continued)

10.1 General (continued)

Revenue from *Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

10. REVENUE RECOGNITION (continued)

10.2 Revenue from Exchange Transactions (continued)

10.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

10.2.4 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

10.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

10.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ◆ The amount of revenue can be measured reliably;
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

10. REVENUE RECOGNITION (continued)

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

10.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

**MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

10. REVENUE RECOGNITION (continued)

10.3 Revenue from Non-exchange Transactions (continued)

10.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment Benefits (continued)

12.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment Benefits (continued)

12.2.2 Defined Benefit Plans (continued)

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

13. LEASES

13.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

13.2 The Municipality as Lessee

13.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

15. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

16. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

18. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, which contracts should relate to something other than the business of the municipality.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

24. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

25. COMPARATIVE INFORMATION

25.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

25.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

MOGALAKWENA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Mogalakwena Municipality at 30 June 2011 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2011 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2011	2010
Surplus / (Deficit) before Appropriations	196 442 570	172 179 423
Surplus / (Deficit) at the end of the Year	1 052 632 756	856 190 186
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	32.11%	31.56%
Remuneration of Councillors	2.93%	3.55%
Collection Costs	0.02%	0.03%
Depreciation and Amortisation	9.19%	9.93%
Impairment Losses	8.25%	6.78%
Repairs and Maintenance	13.68%	13.30%
Interest Paid	0.00%	0.00%
Bulk Purchases	22.41%	22.64%
Contracted Services	2.77%	4.16%
Grants and Subsidies Paid	4.94%	3.75%
General Expenses	3.69%	4.30%
Current Ratio:		
Creditors Days	59	57
Debtors Days	43	46

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Mogalakwena Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	300 801 054	246 928 627	21.82%	-	-
Operating income for the year	648 530 435	538 829 493	20.36%	644 172 577	0.68%
Appropriations for the year	(148 078 775)	(113 301 622)	30.69%	-	-
	801 252 714	672 456 498	19.15%	644 172 577	24.38%
Expenditure:					
Operating expenditure for the year	452 087 864	366 650 069	23.30%	479 817 727	(5.78)%
Sundry transfers	-	5 005 374	(100.00)%	-	-
Closing surplus / (deficit)	349 164 850	300 801 054	16.08%	164 354 850	112.45%
	801 252 714	672 456 498	19.15%	644 172 577	24.38%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	323 794 960	267 314 350	21.13%	313 633 071	3.24%
Expenditure	229 409 989	186 845 840	22.78%	244 030 731	(5.99)%
Surplus / (Deficit)	94 384 971	80 468 510	17.29%	69 602 340	35.61%
Surplus / (Deficit) as % of total income	29.15%	30.10%		22.19%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	128 487	126 470	1.59%	114 400	12.31%
Expenditure	112 065	51 027	119.62%	137 377	(18.43)%
Surplus / (Deficit)	16 422	75 443	(78.23)%	(22 977)	(171.47)%
Surplus / (Deficit) as % of total income	12.78%	59.65%		(20.08)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	43 145 141	39 074 549	10.42%	42 101 905	2.48%
Expenditure	31 539 436	27 601 581	14.27%	29 617 450	6.49%
Surplus / (Deficit)	11 605 705	11 472 967	1.16%	12 484 455	(7.04)%
Surplus / (Deficit) as % of total income	26.90%	29.36%		29.65%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R84 735 898 (2010: R66 666 959). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	143 542 942	137 281 749	4.56%	147 436 108	(2.64)%
Expenditure	113 432 529	99 846 030	13.61%	125 533 188	(9.64)%
Surplus / (Deficit)	30 110 413	37 435 719	(19.57)%	21 902 920	37.47%
Surplus / (Deficit) as % of total income	20.98%	27.27%		14.86%	

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R16 574 068 (2010: R16 356 022). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	137 918 905	112 266 011	22.85%	140 887 093	(2.11)%
Expenditure	77 593 846	69 539 227	11.58%	80 498 981	(3.61)%
Surplus / (Deficit)	60 325 059	42 726 784	41.19%	60 388 112	(0.10)%
Surplus / (Deficit) as % of total income	43.74%	38.06%		42.86%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R199 241 887 (2010: R150 942 596). Full details of Assets are disclosed in Notes 9, 10, 11 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R199 241 887 was financed as follows:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Capital Replacement Reserve	26 825 164	18 423 120	45.61%	31 288 782	(14.27)%
Grants and Subsidies	164 498 706	132 026 318	24.60%	216 844 254	(24.14)%
Public Contributions	7 603 687	-	-	-	-
Own Funds (Accumulated Surplus)	314 330	493 158	(36.26)%	434 305	(27.62)%
	199 241 887	150 942 596	32.00%	248 567 341	(19.84)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2011	2010
Capital Replacement Reserve	13.46%	12.21%
Grants and Subsidies	82.56%	87.47%
Public Contributions	3.82%	-
Own Funds (Accumulated Surplus)	0.16%	0.33%

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2011	2010
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	164 354 850	155 275 206
Revenue variances	4 357 858	(10 942 270)
Expenditure variances:		
Employee Related Costs	7 681 361	9 529 253
Remuneration of Councillors	1 237 779	433 922
Collection Costs	9 057	183 524
Depreciation and Amortisation	2 633 787	10 747 428
Impairment Losses	(5 094 351)	(3 376 566)
Repairs and Maintenance	4 579 643	(4 258 646)
Bulk Purchases	4 890 034	7 174 600
Contracted Services	1 408 418	1 861 129
Grants and Subsidies Paid	1 230 526	(3 935 292)
General Expenses	9 181 832	9 487 135
Loss on disposal of Property, Plant and Equipment	(28 223)	-
Actual surplus before appropriations	196 442 570	172 179 423

DETAILS	2011	2010
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	164 354 850	155 275 206
Executive and Council	12 200 618	2 912 784
Finance and Administration	31 082 347	24 707 303
Planning and Development	2 255 120	2 866 086
Health	13 995	29 620
Community and Social Services	(2 685 248)	(235 350)
Housing	39 399	31 551
Public Safety	1 236 316	814 920
Sport and Recreation	(15 696 225)	(204 591)
Environmental Protection	32 864	215 862
Waste Management	(878 750)	(4 301 219)
Roads and Transport	(3 645 087)	(25 984 964)
Water	(63 053)	1 605 590
Electricity	8 207 493	14 650 914
Other	(12 068)	(204 288)
Actual surplus before appropriations	196 442 570	172 179 423

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

4.2 Capital Budget:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Variance actual 2010/11 / 2009/10 R	Budgeted 2010/11 R	Variance actual/ budgeted R
Executive and Council	682 437	322 706	359 731	486 853	195 584
Finance and Administration	2 159 093	584 479	1 574 614	1 566 968	592 125
Planning and Development	87 056	356 212	(269 156)	259 965	(172 909)
Community and Social Services	2 950 964	2 572 567	378 397	9 266 339	(6 315 375)
Public Safety	927 044	611 286	315 758	1 119 600	(192 556)
Sport and Recreation	9 663 130	2 206 606	7 456 524	27 158 357	(17 495 227)
Environmental Protection	2 550	3 649	(1 099)	3 000	(450)
Waste Management	13 861 276	17 843 873	(3 982 597)	15 317 236	(1 455 960)
Roads and Transport	85 983 581	55 980 691	30 002 890	86 223 155	(239 574)
Water	60 814 623	87 273 295	(26 458 672)	83 133 207	(22 318 584)
Electricity	19 609 081	35 190 328	(15 581 247)	24 031 761	(4 422 680)
Other	798	2 855 458	(2 854 660)	900	(102)
	196 741 631	205 801 149	(9 059 518)	248 567 341	(51 825 710)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2011 amounted to R1 052 632 756 (30 June 2010: R856 190 186) and is made up as follows:

Capital Replacement Reserve	29 630 066
Capitalisation Reserve	89 687 814
Donations and Public Contributions Reserve	7 421 916
Government Grants Reserve	576 728 110
Accumulated Surplus	<u>349 164 850</u>
	<u>1 052 632 756</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

6. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2011 was R38 011 209 (30 June 2010: R30 415 468).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R7 894 897 as at 30 June 2011 (30 June 2010: R5 955 133) and is made up as follows:

Provision for Long-term Service	5 261 668
Provision for Rehabilitation of Land-fill Sites	<u>2 633 229</u>
	<u>7 894 897</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted R184 247 329 as at 30 June 2011 (30 June 2010: R112 177 737) and is made up as follows:

Consumer Deposits	Note 13	19 706 671
Provisions	Note 14	3 508 189
Creditors	Note 15	73 651 605
Unspent Conditional Grants and Receipts	Note 16	<u>87 380 864</u>
		<u>184 247 329</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R904 290 614 as at 30 June 2011 (30 June 2010: R745 510 874).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

10. INTANGIBLE ASSETS

The net value of Intangible Assets were R621 319 as at 30 June 2011 (30 June 2010: R1 126 016).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

11. INVESTMENT PROPERTIES

The net value of Investment Properties were R3 097 877 as at 30 June 2011 (30 June 2010: R3 189 509).

Refer to Note 11 and Appendix "B" for more detail.

12. LONG-TERM RECEIVABLES

Long-term Receivables of R2 840 599 at 30 June 2011 (30 June 2010: R2 900 716) is made up as follows:

Debtors Capitalised Loans	7 708 205
Removal Cost Loans	8 199
Sale of Stand Loans	1 401 289
Study Cost Loans	<u>53 777</u>
	9 171 471
Less: Short-term portion included in Current Assets	<u>6 330 872</u>
	<u>2 840 599</u>

The increase in the amount for Long-term Receivables is due to the increased amount of debt arrangements entered into with consumer debtors.

Refer to Note 12 for more detail.

13. CURRENT ASSETS

Current Assets amounted R371 935 782 as at 30 June 2011 (30 June 2010: R252 011 407) and is made up as follows:

Inventory	Note 2	8 402 622
Non-current Assets Held-for-Sale	Note 3	311 250
Receivables from Exchange Transactions	Note 4	25 609 890
Receivables from Non-exchange Transactions	Note 5	26 470 704
VAT Receivable	Note 6	10 718 941
Bank Balances and Cash	Note 7	294 034 627
Operating Lease Assets	Note 8	56 877
Current Portion of Long-term Debtors	Note 12	6 330 872
		<u>371 935 782</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 16 and 22, and Appendix "F" for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 55.

16. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2011

MOGALAKWENA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

Budget				Actual	
2010 R	2011 R		Note	2011 R	2010 R
ASSETS					
170 292 000	251 267 423	Current Assets		371 935 782	252 011 407
9 000 000	5 580 259	Inventory	2	8 402 622	5 580 259
-	-	Non-current Assets Held-for-Sale	3	311 250	-
38 992 000	26 159 025	Trade Receivables from Exchange Transactions	4	25 609 890	23 191 401
4 000 000	20 621 452	Trade Receivables from Non-exchange Transactions	5	26 470 704	24 333 060
-	8 391 394	VAT Receivable	6	10 718 941	8 391 394
117 000 000	185 253 738	Bank, Cash and Cash Equivalents	7	294 034 627	185 253 738
-	79 980	Operating Lease Assets	8	56 877	79 980
1 300 000	5 181 575	Current Portion of Long-term Receivables	12	6 330 872	5 181 575
809 820 000	754 864 718	Non-Current Assets		910 850 408	752 727 116
804 820 000	745 973 986	Property, Plant and Equipment	9	904 290 614	745 510 874
-	1 126 016	Intangible Assets	10	621 319	1 126 016
5 000 000	4 864 000	Investment Property	11	3 097 877	3 189 509
-	2 900 716	Long-term Receivables	12	2 840 599	2 900 716
980 112 000	1 006 132 141	Total Assets		1 282 786 191	1 004 738 523
LIABILITIES					
103 700 000	107 168 664	Current Liabilities		184 247 329	112 177 737
11 700 000	13 294 405	Consumer Deposits	13	19 706 671	13 294 405
2 000 000	1 899 986	Provisions	14	3 508 189	1 899 986
90 000 000	52 514 835	Creditors	15	73 651 605	57 523 908
-	39 459 438	Unspent Conditional Grants and Receipts	16	87 380 864	39 459 438
-	36 370 600	Non-Current Liabilities		45 906 106	36 370 601
-	30 415 468	Retirement Benefit Liabilities	18	38 011 209	30 415 468
-	5 955 132	Non-current Provisions	19	7 894 897	5 955 133
103 700 000	143 539 264	Total Liabilities		230 153 435	148 548 338
876 412 000	862 592 877	Total Assets and Liabilities		1 052 632 756	856 190 186
876 412 000	862 592 877	NET ASSETS		1 052 632 756	856 190 186
876 412 000	862 592 877	Accumulated Surplus / (Deficit)	20	1 052 632 756	856 190 186
876 412 000	862 592 877	Total Net Assets		1 052 632 756	856 190 186

MOGALAKWENA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Budget				Actual	
2010	2011		Note	2011	2010
R	R			R	R
REVENUE					
Revenue from Non-exchange Transactions					
29 600 000	32 307 437	Property Rates	21	35 268 655	30 446 236
1 136 755	1 189 079	Fines		1 404 133	1 338 610
73 438	76 855	Licences and Permits		68 910	75 793
5 850 493	6 347 313	Income for Agency Services		8 214 097	7 283 206
349 565 889	400 384 917	Government Grants and Subsidies Received	22	367 952 348	308 438 651
344 810	(8 000)	Public Contributions and Donations	23	8 401 556	503 860
Revenue from Exchange Transactions					
145 626 487	181 066 938	Service Charges	24	180 380 049	153 397 401
270 715	816 205	Rental of Facilities and Equipment	25	720 039	600 378
10 500 000	13 000 000	Interest Earned - External Investments	26	15 925 024	13 144 398
2 130 000	2 120 000	Interest Earned - Outstanding Debtors	26	17 229 336	16 079 093
2 673 176	2 705 066	Other Income	27	6 219 059	3 670 378
-	-	Gains on Disposal of Property, Plant and Equipment		-	-
2 000 000	4 166 767	Profit on Sale of Land:-		6 747 229	3 851 489
2 000 000	4 166 767	Sale of Land		6 747 229	3 851 489
-	-	Cost of Sales		-	-
549 771 763	644 172 577	Total Revenue		648 530 435	538 829 493
EXPENDITURE					
125 237 402	152 864 589	Employee Related Costs	28	145 183 228	115 708 149
13 437 785	14 483 810	Remuneration of Councillors	29	13 246 031	13 003 863
285 000	100 000	Collection Costs		90 943	101 476
47 170 085	44 191 038	Depreciation and Amortisation	30	41 557 251	36 422 657
21 472 777	32 193 880	Impairment Losses	31	37 288 231	24 849 343
44 511 111	66 437 744	Repairs and Maintenance		61 858 101	48 769 757
90 197 581	106 200 000	Bulk Purchases	33	101 309 966	83 022 981
17 114 768	13 943 909	Contracted Services	34	12 535 491	15 253 639
9 803 788	23 547 653	Grants and Subsidies Paid	35	22 317 127	13 739 080
25 266 260	25 855 104	General Expenses	36	16 673 272	15 779 125
-	-	Loss on Disposal of Property, Plant and Equipment		28 223	-
394 496 557	479 817 727	Total Expenditure		452 087 864	366 650 069
155 275 206	164 354 850	SURPLUS / (DEFICIT) FOR THE YEAR		196 442 570	172 179 423
Refer to Appendix E(1) for explanation of budget variances					

MOGALAKWENA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2010			
Balance at 30 June 2009	-	689 016 137	689 016 137
Change in Accounting Policy (Note 38)		-	-
Correction of Error (Note 39)	-	(5 005 374)	(5 005 374)
Restated Balance	-	684 010 762	684 010 762
Surplus / (Deficit) for the year		172 179 423	172 179 423
Contributions to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals		-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2010	-	856 190 186	856 190 186
2011			
Change in Accounting Policy (Note 38)		-	-
Correction of Error (Note 39)		-	-
Restated Balance	-	856 190 186	856 190 186
Surplus / (Deficit) for the year		196 442 570	196 442 570
Contributions to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals		-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2011	-	1 052 632 756	1 052 632 756

Details on the movement of the Funds and Reserves are set out in Note 20.

MOGALAKWENA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

Budget				Actual	
2010 R	2011 R		Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES					
483 182 365	658 898 578	Cash receipts from Ratepayers, Government and Other		655 284 125	492 710 853
(366 689 000)	(485 382 098)	Cash paid to Suppliers and Employees		(375 643 851)	(277 410 883)
116 493 365	173 516 480	Cash generated from / (utilised in) Operations	41	279 640 274	215 299 970
12 630 000	13 000 000	Interest received	26	15 925 024	13 144 398
-	(600 000)	Interest paid	32	-	-
129 123 365	185 916 480	NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		295 565 298	228 444 368
CASH FLOWS FROM INVESTING ACTIVITIES					
(150 000 000)	(111 641 826)	Purchase of Property, Plant and Equipment	9	(192 544 118)	(178 552 149)
-	-	Purchase of Intangible Assets	10	(60 927)	(118 225)
-	-	Proceeds on Disposal of Property, Plant and Equipment		56 445	-
-	-	Profit on Sale of Land		6 747 229	3 851 489
527 000	-	Decrease / (Increase) in Long-term Receivables	12	(983 039)	(5 722 083)
(149 473 000)	(111 641 826)	NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(186 784 409)	(180 540 968)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	-	New Loans raised	N/A	-	-
-	-	Loans repaid	N/A	-	-
-	-	NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		-	-
(20 349 635)	74 274 654	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	108 780 889	47 903 400
137 350 000	74 274 654	Cash and Cash Equivalents at the beginning of the year		185 253 738	137 350 338
117 000 365	148 549 308	Cash and Cash Equivalents at the end of the year		294 034 627	185 253 738

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R

1. GENERAL INFORMATION

Mogalakwena Municipality (the municipality) is a local government institution in Mokopane, Limpopo Province, and is one of seven local municipalities under the jurisdiction of the Waterberg District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and has to comply fully with GRAP by 30 June 2011.

2. INVENTORY

Consumable Stores - at cost	7 024 154	4 227 651
Property Stock	1 249 540	1 286 433
Water - at cost	128 929	66 175
Total Inventory	8 402 622	5 580 259

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R3,88 per kilolitre (2010: R3,64 per kilolitre).

The cost of Inventories recognised as an expense during the period was R10 289 (2010: R8 364) million.

Inventories of R1 715 (2010: R1 121) million are expected to be utilised only after more than twelve months.

Inventories of R3 863 (2010: R2 285) million are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment..

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

No Non-current Assets are held for disposal.

Property Held-for-Sale - at cost	311 250	-
Net Non-current Assets Held-for-Sale	311 250	-

3.1 Property Held-for-Sale

The municipality intends to dispose of vehicle within the next three months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2011.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010	
	R	R	
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Service Debtors:	114 187 686	96 724 330	17 463 356
Electricity	24 876 091	15 304 734	9 571 358
Refuse	20 076 677	18 400 135	1 676 542
Sewerage	14 462 139	11 844 835	2 617 304
Water	54 772 779	51 174 626	3 598 153
Other Debtors	76 783 884	68 637 350	8 146 534
Total Trade Receivables from Exchange Transactions	190 971 570	165 361 680	25 609 890
As at 30 June 2010			
Service Debtors:	93 437 803	77 357 257	16 080 547
Electricity	21 463 334	11 682 951	9 780 384
Refuse	16 851 699	15 430 618	1 421 082
Sewerage	12 085 195	9 868 846	2 216 348
Water	43 037 575	40 374 842	2 662 733
Other Debtors	60 972 742	53 861 888	7 110 854
Total Trade Receivables from Exchange Transactions	154 410 545	131 219 144	23 191 401

Trade Receivables from Exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions in terms of GRAP 104. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

Trade Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Trade Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

At 30 June 2011, the Municipality is owed R24 061 (30 June 2010: R21 057) million by National and Provincial Government.

The municipality did not pledge any of its Trade Receivables as security for borrowing purposes.

4.1 Ageing of Trade Receivables from Exchange Transactions

As at 30 June 2011

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Electricity:					
Gross Balances	9 602 563	5 780 784	1 367 246	8 125 499	24 876 091
Less: Provision for Impairment	614 671	5 352 592	1 356 330	7 981 141	15 304 734
Net Balances	8 987 892	428 192	10 915	144 358	9 571 358
Refuse:					
Gross Balances	726 459	635 522	522 531	18 192 164	20 076 677
Less: Provision for Impairment	178 400	609 992	499 659	17 112 083	18 400 135
Net Balances	548 059	25 530	22 872	1 080 081	1 676 542

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Sewerage:

Gross Balances	695 248	523 197	374 148	12 869 547	14 462 139
Less: Provision for Impairment	108 818	486 554	339 922	10 909 541	11 844 835
Net Balances	586 430	36 643	34 225	1 960 006	2 617 304

Water:

Gross Balances	2 602 715	3 070 637	1 565 929	47 533 498	54 772 779
Less: Provision for Impairment	479 439	2 642 641	1 410 693	46 641 853	51 174 626
Net Balances	2 123 276	427 996	155 236	891 645	3 598 153

Other Debtors:

Gross Balances	2 292 074	2 380 925	2 165 144	69 945 741	76 783 884
Less: Provision for Impairment	825 658	2 198 928	1 989 322	63 623 443	68 637 350
Net Balances	1 466 416	181 998	175 822	6 322 298	8 146 534

As at 30 June Trade Receivables of R11 897 816 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

Past Due			Total
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

All Trade Receivables:

Gross Balances	12 391 066	5 994 997	156 666 448	175 052 512
Less: Provision for Impairment	11 290 707	5 595 927	146 268 061	163 154 695
Net Balances	1 100 359	399 070	10 398 387	11 897 816

As at 30 June 2010

Current	Past Due			Total
<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

Electricity:

Gross Balances	9 787 567	4 974 538	1 155 906	5 545 324	21 463 334
Less: Provision for Impairment	1 000 227	4 457 534	1 085 071	5 140 119	11 682 951
Net Balances	8 787 340	517 003	70 835	405 205	9 780 384

Refuse:

Gross Balances	686 242	487 869	374 634	15 302 954	16 851 699
Less: Provision for Impairment	228 484	468 023	356 773	14 377 338	15 430 618
Net Balances	457 757	19 847	17 861	925 617	1 421 082

Sewerage:

Gross Balances	688 739	421 787	292 610	10 682 058	12 085 195
Less: Provision for Impairment	153 757	386 652	258 854	9 069 583	9 868 846
Net Balances	534 982	35 135	33 756	1 612 475	2 216 348

Water:

Gross Balances	2 741 248	1 726 064	1 436 086	37 134 176	43 037 575
Less: Provision for Impairment	912 587	1 672 883	1 404 774	36 384 599	40 374 842
Net Balances	1 828 661	53 182	31 313	749 577	2 662 733

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Other Debtors:

Gross Balances	1 415 343	2 270 844	1 421 630	55 864 925	60 972 742
Less: Provision for Impairment	1 389 892	2 107 340	1 273 143	49 091 512	53 861 888
Net Balances	25 451	163 504	148 487	6 773 412	7 110 854

As at 30 June Trade Receivables of R11 557 209 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

Past Due			Total
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

All Trade Receivables:

Gross Balances	9 881 102	4 680 867	124 529 437	139 091 407
Less: Provision for Impairment	9 092 431	4 378 615	114 063 151	127 534 197
Net Balances	788 671	302 252	10 466 286	11 557 209

4.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	8 907 735	5 968 143	1 043 181	-
<u>Past Due:</u>				
31 - 60 Days	8 324 302	3 307 320	759 444	-
61 - 90 Days	4 712 328	1 007 757	274 912	-
+ 90 Days	137 520 056	6 922 713	12 223 679	-
Sub-total	159 464 421	17 205 933	14 301 217	-
Less: Provision for Impairment	149 257 100	16 104 580	-	-
Total Trade Receivables by Customer Classification	10 207 321	1 101 352	14 301 217	-

As at 30 June 2010

<u>Current:</u>				
0 - 30 days	8 563 924	5 934 626	820 589	-
<u>Past Due:</u>				
31 - 60 Days	6 219 579	2 872 852	788 671	-
61 - 90 Days	3 679 308	699 307	302 252	-
+ 90 Days	108 326 578	5 736 573	10 466 286	-
Sub-total	126 789 389	15 243 358	12 377 798	-
Less: Provision for Impairment	117 136 333	14 082 811	-	-
Total Trade Receivables by Customer Classification	9 653 056	1 160 547	12 377 798	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	131 219 144	110 690 001
Impairment Losses recognised	34 185 396	21 466 407
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(362 316)	(937 263)
Amounts recovered	319 457	-
Balance at end of year	165 361 680	131 219 144

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

In determining the recoverability of receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Trade Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

4.4 Ageing of impaired Trade Receivables from Exchange Transactions

Current:

0 - 30 Days	2 206 985	3 684 947
-------------	-----------	-----------

Past Due:

31 - 60 Days	11 290 707	9 092 431
61 - 90 Days	5 595 927	4 378 615
+ 90 Days	146 268 061	114 063 151

Total	165 361 680	131 219 144
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4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	
5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Assessment Rates Debtors	47 639 813	35 228 893	12 410 920
Sundry Deposits	463 060	-	463 060
Sundry Debtors	13 596 724	-	13 596 724
Total Trade Receivables from Non-exchange Transactions	61 699 596	35 228 893	26 470 704
As at 30 June 2010			
Assessment Rates Debtors	44 198 824	32 759 826	11 438 998
Sundry Deposits	463 060	-	463 060
Sundry Debtors	12 431 003	-	12 431 003
Total Trade Receivables from Non-exchange Transactions	57 092 886	32 759 826	24 333 060

Trade Receivables from Non-exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors in terms of GRAP 104, previously included in Trade Receivables from Exchange Transactions. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

Furthermore, *Trade Receivables from Non-exchange Transactions* have been restated to correctly classify amounts held for Medical Aid Contributions incurred during the previous financial year and not accrued for. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in Sundry Debtors is an amount of R9 247 (2010: R8 680) million in respect of the consumption of metered services not billed as at 30 June.

The municipality does not hold deposits or other security for its Other Trade Receivables.

None of the Other Trade Receivables have been pledged as security for the municipality's financial liabilities.

5.1 Ageing of Trade Receivables from Non-exchange Transactions

As at 30 June 2011

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	2 839 100	1 825 989	940 645	42 034 078	47 639 813
Less: Provision for Impairment	304 505	1 682 208	807 332	32 434 848	35 228 893
Net Balances	2 534 595	143 782	133 313	9 599 230	12 410 920
Sundry Deposits:					
Gross Balances	463 060	-	-	-	463 060
Less: Provision for Impairment	-	-	-	-	-
Net Balances	463 060	-	-	-	463 060

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Sundry Debtors:

Gross Balances	13 596 724	-	-	-	13 596 724
Less: Provision for Impairment	-	-	-	-	-
Net Balances	13 596 724	-	-	-	13 596 724

As at 30 June Other Trade Receivables of R9 876 325 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

Past Due			Total
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

All Other Trade Receivables:

Gross Balances	1 825 989	940 645	42 034 078	44 800 713
Less: Provision for Impairment	1 682 208	807 332	32 434 848	34 924 388
Net Balances	143 782	133 313	9 599 230	9 876 325

As at 30 June 2010

Current	Past Due			Total
<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

Assessment Rates:

Gross Balances	3 228 723	1 543 725	1 004 717	38 421 659	44 198 824
Less: Provision for Impairment	346 354	1 434 209	896 198	30 083 065	32 759 826
Net Balances	2 882 369	109 516	108 520	8 338 594	11 438 998

Sundry Deposits:

Gross Balances	463 060	-	-	-	463 060
Less: Provision for Impairment	-	-	-	-	-
Net Balances	463 060	-	-	-	463 060

Sundry Debtors:

Gross Balances	12 431 003	-	-	-	12 431 003
Less: Provision for Impairment	-	-	-	-	-
Net Balances	12 431 003	-	-	-	12 431 003

As at 30 June Other Trade Receivables of R8 556 630 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

Past Due			Total
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

All Other Trade Receivables:

Gross Balances	1 543 725	1 004 717	38 421 659	40 970 101
Less: Provision for Impairment	1 434 209	896 198	30 083 065	32 413 472
Net Balances	109 516	108 520	8 338 594	8 556 630

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	1 552 300	1 139 169	147 630	-
<u>Past Due:</u>				
31 - 60 Days	1 067 129	615 078	143 782	-
61 - 90 Days	556 829	250 503	133 313	-
+ 90 Days	29 571 695	2 863 153	9 599 230	-
Sub-total	32 747 954	4 867 904	10 023 955	-
Less: Provision for Impairment	30 669 888	4 559 005	-	-
Total Rates Debtors by Customer Classification	2 078 066	308 899	10 023 955	-
As at 30 June 2010				
<u>Current:</u>				
0 - 30 days	1 724 803	1 381 806	122 114	-
<u>Past Due:</u>				
31 - 60 Days	926 626	507 583	109 516	-
61 - 90 Days	576 688	319 510	108 520	-
+ 90 Days	28 050 220	2 032 845	8 338 594	-
Sub-total	31 278 337	4 241 743	8 678 744	-
Less: Provision for Impairment	28 847 708	3 912 118	-	-
Total Rates Debtors by Customer Classification	2 430 630	329 625	8 678 744	-
			2011 R	2010 R

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	32 759 826	30 804 759
Impairment Losses recognised	2 469 067	1 955 067
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	35 228 893	32 759 826

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Trade Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Other Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furtermore, no Provision for Impairment was calculated on Other Trade Receivables other than Assessment Rates Debtors as the management is of the opinion that all Other Trade Receivables are recoverable within normal credit terms.

6. VAT RECEIVABLE

Vat Receivable	10 718 941	8 391 394
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. BANK, CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	294 034 627	185 253 738
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Total Bank, Cash and Cash Equivalents	294 034 627	185 253 738
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For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	19 788 944	11 618 097
Notice Deposits	243 000 000	156 000 000

Total Current Investment Deposits	262 788 944	167 618 097
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Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,90 % to 5,50 % (2010: 6,20% to 8,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,40 % to 6,53 % (2010: 6,35 % to 7,48 %)per annum.

Deposits attributable to Unspent Conditional Grants	87 380 864	39 459 438
Deposits attributable to Creditors	73 651 605	57 523 908
Deposits attributable to Current Provisions	3 508 189	1 899 986
Deposits attributable to Consumer Deposits	19 706 671	13 294 405
Deposits attributable to Rehabilitation of Landfill Site	2 633 229	1 839 539
Deposits attributable to the Capital Replacement Reserve.	29 630 066	21 049 770

Total Deposits attributable to Commitments of the Municipality	216 510 624	135 067 045
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MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

7.2 Bank Accounts

Cash in Bank	31 224 278	17 614 236
Total Bank Accounts	31 224 278	17 614 236

The Municipality has the following bank accounts:

Primary Bank Account

Standard Bank - Mokopane Branch, Mokopane - Account Number 031 264 344:

Cash book balance at beginning of year	17 614 236	8 116 130
Cash book balance at end of year	<u>31 224 278</u>	<u>17 614 236</u>
Bank statement balance at beginning of year	10 127 043	3 845 134
Bank statement balance at end of year	<u>18 666 364</u>	<u>10 127 043</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	21 405	21 405
Total Cash on hand in Cash Floats, Advances and Equivalents	21 405	21 405

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	79 980	90 649
Operating Lease Revenue recorded	328 113	258 459
Operating Lease Revenue effected	(351 216)	(269 128)
Total Operating Lease Assets	56 877	79 980

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 83 (2010: 1 to 84) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R503 986 (2010: R301 351).

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
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8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	232 500	247 833
2 to 5 years	300 810	281 455
More than 5 years	240 953	49 574
Total Operating Lease Arrangements	774 264	578 862

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease in current year income of R23 103 (2010: R10 669).

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2010	87 454 933	546 085 872	72 949 455	5 752 544	33 268 071	745 510 874
Cost	93 823 091	754 086 912	113 175 529	5 752 544	55 431 484	1 022 269 560
- Completed Assets	93 823 091	672 003 853	110 924 477	5 752 544	55 127 490	937 631 455
- Under Construction	-	82 083 059	2 251 052	-	303 994	84 638 105
Correction of error (Note 39)	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	(763 112)	-	-	(763 112)
Accumulated Depreciation:	(6 368 158)	(208 001 041)	(39 462 962)	-	(22 163 413)	(275 995 573)
- Cost	(6 368 158)	(208 001 041)	(39 462 962)	-	(22 163 413)	(275 995 573)
Acquisitions	32 573	113 207 995	1 495 655	-	13 497 286	128 233 509
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	37 815	53 079 572	11 145 821	-	47 401	64 310 609
- Cost	37 815	53 079 572	11 145 821	-	47 401	64 310 609
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(756 321)	(26 378 272)	(4 545 288)	-	(9 220 114)	(40 899 995)
- Based on Cost	(756 321)	(26 378 272)	(4 545 288)	-	(9 220 114)	(40 899 995)
Carrying value of Disposals:	-	-	-	(16 202)	(12 020)	(28 222)
- Cost	-	-	-	(16 202)	(52 522)	(68 725)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	40 502	40 502
- Based on Cost	-	-	-	-	40 502	40 502
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(311 250)	(311 250)
- Cost	-	-	-	-	(750 000)	(750 000)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	438 750	438 750
- Based on Cost	-	-	-	-	438 750	438 750
Impairment Losses	-	-	-	-	(739 910)	(739 910)
Capital under Construction - Completed	-	(78 189 540)	(2 251 052)	-	-	(80 440 592)
Other Movements	-	79 843 890	8 811 701	-	-	88 655 591
- Cost	-	79 843 890	2 174 858	-	-	82 018 749
- Accumulated Impairment Losses	-	-	763 112	-	-	763 112
- Accumulated Depreciation	-	-	5 873 730	-	-	5 873 730
- Based on Cost	-	-	5 873 730	-	-	5 873 730
Carrying values at 30 June 2011	86 769 000	687 649 517	87 606 291	5 736 342	36 529 465	904 290 614
Cost	93 893 479	922 028 829	125 740 811	5 736 342	68 173 649	1 215 573 110
- Completed Assets	93 855 664	865 055 738	114 594 990	5 736 342	67 822 254	1 147 064 988
- Under Construction	37 815	56 973 091	11 145 821	-	351 395	68 508 122
Accumulated Impairment Losses	-	-	-	-	(739 910)	(739 910)
Accumulated Depreciation:	(7 124 480)	(234 379 312)	(38 134 520)	-	(30 904 274)	(310 542 586)
- Cost	(7 124 480)	(234 379 312)	(38 134 520)	-	(30 904 274)	(310 542 586)

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	88 190 085	432 746 238	72 363 926	5 752 544	32 331 708	631 384 501
Cost	93 798 690	618 927 089	108 621 318	5 752 544	45 693 613	872 793 253
- Completed Assets	93 798 690	566 795 375	106 142 247	5 752 544	45 327 619	817 816 475
- Under Construction	-	52 131 714	2 479 071	-	365 994	54 976 779
Accumulated Impairment Losses	-	-	(763 112)	-	-	(763 112)
Accumulated Depreciation:	(5 608 605)	(186 180 851)	(35 494 280)	-	(13 361 905)	(240 645 641)
- Cost	(5 608 605)	(186 180 851)	(35 494 280)	-	(13 361 905)	(240 645 641)
Acquisitions	24 401	106 556 542	4 782 231	-	9 799 871	121 163 044
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	55 214 246	2 174 858	-	-	57 389 104
- Cost	-	55 214 246	2 174 858	-	-	57 389 104
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(759 553)	(21 820 189)	(3 968 682)	-	(8 801 508)	(35 349 933)
- Based on Cost	(759 553)	(21 820 189)	(3 968 682)	-	(8 801 508)	(35 349 933)
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	(25 262 900)	(2 402 878)	-	(62 000)	(27 727 778)
Other Movements	-	(1 348 064)	-	-	-	(1 348 064)
- Cost	-	(1 348 064)	-	-	-	(1 348 064)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying values at 30 June 2010	87 454 933	546 085 872	72 949 455	5 752 544	33 268 071	745 510 874
Cost	93 823 091	754 086 912	113 175 529	5 752 544	55 431 484	1 022 269 560
- Completed Assets	93 823 091	672 003 853	110 924 477	5 752 544	55 127 490	937 631 455
- Under Construction	-	82 083 059	2 251 052	-	303 994	84 638 105
Accumulated Impairment Losses	-	-	(763 112)	-	-	(763 112)
Accumulated Depreciation:	(6 368 158)	(208 001 041)	(39 462 962)	-	(22 163 413)	(275 995 573)
- Cost	(6 368 158)	(208 001 041)	(39 462 962)	-	(22 163 413)	(275 995 573)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment has been restated to disclose the effect of Impairment not previously recognised on properties. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment are in respect of the transfer of Major Spare Parts to the amount of R1 578 157 (2010: R1 348 064) and Work-in-Progress of R80 440 592 (2010: R0) completed and transferred to Cost. The recoupment of Accumulated Depreciation and Impairment Losses due to improvements to the Swimming Pool amount to R6 636 842 (2010: R0).

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
Other	311 250	-
Carrying Amount of PPE retired from active use and held for disposal	311 250	-
9.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
9.4 Impairment of Property, Plant and Equipment		
The amount of R739 910 (2010: R0) disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a vehicle damaged in an accident:		
Other Assets: Motor Vehicles	739 910	-
Total Impairment of Property, Plant and Equipment	739 910	-
Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.		
9.5 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	621 319	1 126 016
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2010	1 126 016	1 126 016
Cost	3 682 311	3 682 311
Accumulated Amortisation	(2 556 295)	(2 556 295)
Acquisitions:	60 927	60 927
Purchased	60 927	60 927
Internally Developed	-	-
Amortisation:	(565 624)	(565 624)
Purchased	(565 624)	(565 624)
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2011	621 319	621 319
Cost	3 743 238	3 743 238
Accumulated Amortisation	(3 121 919)	(3 121 919)
Carrying values at 01 July 2009	1 988 883	1 988 883
Cost	3 564 086	3 564 086
Accumulated Amortisation	(1 575 204)	(1 575 204)
Acquisitions:	118 225	118 225
Purchased	118 225	118 225
Internally Developed	-	-
Amortisation:	(981 091)	(981 091)
Purchased	(981 091)	(981 091)
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2010	1 126 016	1 126 016
Cost	3 682 311	3 682 311
Accumulated Amortisation	(2 556 295)	(2 556 295)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

2011
R **2010**
R

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year and are as follows:

Computer Software 5 Years

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation **3 097 877** **3 189 509**

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	3 189 509	3 281 142
Cost	4 564 000	4 564 000
Accumulated Depreciation	(1 374 491)	(1 282 858)
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	(91 633)	(91 633)
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	3 097 877	3 189 509
Cost	4 564 000	4 564 000
Accumulated Depreciation	(1 466 123)	(1 374 491)
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	5 189 000	4 860 000

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

Furthermore, *Investment Property* has been restated to correctly disclose Depreciation on properties held as Investment Property in terms of GRAP 16. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	503 986	301 351

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

12. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Debtors Capitalised Loans	9 206 493	1 498 288	7 708 205
Removal Cost Loans	8 199	-	8 199
Sale of Stand Loans	1 401 289	-	1 401 289
Study Cost Loans	53 777	-	53 777
	<u>10 669 760</u>	<u>1 498 288</u>	9 171 471
Less: Current Portion transferred to Current Receivables:-			6 330 872
Debtors Capitalised Loans			4 871 120
Removal Cost Loans			4 685
Sale of Stand Loans			1 401 289
Study Cost Loans			53 777
Total Long-term Receivables			<u>2 840 599</u>
As at 30 June 2010			
Debtors Capitalised Loans	8 686 407	1 604 430	7 081 977
Removal Cost Loans	2 267	-	2 267
Sale of Stand Loans	939 221	-	939 221
Study Cost Loans	58 826	-	58 826
	<u>9 686 721</u>	<u>1 604 430</u>	8 082 291
Less: Current Portion transferred to Current Receivables:-			5 181 575
Debtors Capitalised Loans			4 183 301
Removal Cost Loans			227
Sale of Stand Loans			939 221
Study Cost Loans			58 826
Total Long-term Receivables			<u>2 900 716</u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

DEBTORS CAPITALISED

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 48 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

REMOVAL COST

The municipality pays the full removal cost of qualifying newly appointed staff of which the employees repay 50% by means of a loan over a maximum period of 2 years. The loans are repayable in the year 2011.

SALE OF STANDS

Stands are sold on a cash/bank guarantee basis. The outstanding loans are repayable in the year 2011/12.

STUDY COST LOANS

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Beneficiaries were entitled to Study Cost Loans at an interest rate of 5,00% per annum, repayable over a maximum period of 6 years. The balance of the loans are in respect of third parties and are repayable in the year 2011/12.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

2011
R

2010
R

12.1 Ageing of Long-term Receivables

Current:

0 - 30 days 9 206 493 8 686 407

Past Due:

31 - 60 Days - -

61 - 90 Days 1 401 289 939 221

91 - 120 Days - -

+ 120 Days 61 977 61 093

Total **10 669 760** **9 686 721**

As at 30 June Long-term Receivables of R1 463 266 (2010: R1 000 314) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days - -

61 - 90 Days 1 401 289 939 221

+ 90 Days - -

+ 120 Days 61 977 61 093

Total **1 463 266** **1 000 314**

12.2 Reconciliation of the Provision for Impairment

Balance at beginning of year 1 604 430 176 562

Impairment Losses recognised - 1 604 430

Impairment Losses reversed (106 141) (176 562)

Amounts written off as uncollectable - -

Amounts recovered - -

Balance at end of year **1 498 288** **1 604 430**

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13. CONSUMER DEPOSITS		
Electricity and Water	19 706 671	13 294 405
Total Consumer Deposits	19 706 671	13 294 405
Guarantees held in lieu of Electricity and Water Deposits	1 775 596	1 654 936

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

14. PROVISIONS

Performance Bonuses	1 670 451	-
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	1 271 148	1 142 604
Current Portion of Non-Current Provisions (See Note 19):	566 590	757 382
Long-term Service	566 590	757 382
Total Provisions	3 508 189	1 899 986

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

The movement in current provisions are reconciled as follows:

Performance Bonuses:

Balance at beginning of year	-	1 212 620
Contributions to provision	1 670 451	(1 212 620)
Expenditure incurred	-	-
Balance at end of year	1 670 451	-

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2011		
Balance at beginning of year	757 382	1 142 604
Transfer from non-current	566 590	1 271 148
Expenditure incurred	(757 382)	(1 142 604)
Balance at end of year	566 590	1 271 148
30 June 2010		
Balance at beginning of year	264 590	1 110 285
Transfer from non-current	757 382	1 142 604
Expenditure incurred	(264 590)	(1 110 285)
Balance at end of year	757 382	1 142 604

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
15. CREDITORS		
Trade Creditors	25 922 217	17 570 090
Payments received in Advance	11 940 743	9 306 405
Retentions	21 108 838	18 454 088
Staff Leave Accrued	13 597 227	11 139 022
Sundry Deposits	317 833	253 081
Other Creditors	764 746	801 223
Total Creditors	73 651 605	57 523 908

Creditors have been restated to correctly classify amounts held for Retentions erroneously written-off in the previous financial year. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

Creditors have been restated to correctly classify amounts held for Staff Leave Accrued erroneously calculated in the previous financial year. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

Creditors have been restated to correctly disclose amounts held for Trade Creditors, being expenditure for Employee Related Costs, Repairs & Maintenance and Contracted Services incurred in the previous financial year and not accrued for. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

	87 380 864	39 459 438
National Government Grants	82 694 362	31 756 128
Provincial Government Grants	1 411 184	1 448 999
Other Spheres of Government	3 275 318	6 254 310
Total Conditional Grants and Receipts	87 380 864	39 459 438

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

17. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	-	5 809
Operating Lease expenses recorded	318 927	311 441
Operating Lease payments effected	(318 927)	(317 251)
Total Operating Lease Liabilities	-	-

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Other Equipment:	469 932	578 353
Up to 1 year	255 704	260 779
2 to 5 years	214 228	317 574
More than 5 years	-	-
Total Operating Lease Arrangements	469 932	578 353

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	318 927	317 251
Total Operating Lease Expenses	318 927	317 251

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
18. RETIREMENT BENEFIT LIABILITIES		
18.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	30 415 468	29 845 680
Contributions to Provision	8 866 889	1 712 392
Balance at end of Year	<u>39 282 357</u>	<u>31 558 072</u>
Transfer to Current Provisions	(1 271 148)	(1 142 604)
Total Post-retirement Health Care Benefits Liability	<u>38 011 209</u>	<u>30 415 468</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	206	158
In-service Non-members (Employees)	460	462
Continuation Members (Retirees, widowers and orphans)	43	23
Total Members	<u>709</u>	<u>643</u>

The liability in respect of past service has been estimated as follows:

In-service Members	22 737 279	16 835 892
Continuation Members	16 545 078	14 722 180
Total Liability	<u>39 282 357</u>	<u>31 558 072</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2011 is estimated to be R1 539 645, whereas the cost for the ensuing year is estimated to be R1 953 916 (2010: R1 491 251 and R1 539 645 respectively).

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.68%	9.22%
Health Care Cost Inflation Rate	7.34%	7.27%
Net Effective Discount Rate	1.25%	1.82%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	31 558 072	30 955 965
Current service costs	1 539 645	1 491 251
Interest cost	2 858 224	2 773 030
Benefits paid	(1 142 604)	(1 110 285)
Actuarial losses / (gains)	4 469 020	(2 551 889)

Present Value of Fund Obligation at the end of the Year	39 282 357	31 558 072
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Actuarial losses / (gains) unrecognised	-	-
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Total Recognised Benefit Liability	39 282 357	31 558 072
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	39 282 357	31 558 072
Unfunded Accrued Liability	39 282 357	31 558 072
Unrecognised Actuarial Gains / (Losses)	-	-

Total Benefit Liability	39 282 357	31 558 072
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 539 645	1 491 251
Interest cost	2 858 224	2 773 030
Actuarial losses / (gains)	4 469 020	(2 551 889)

Total Post-retirement Benefit included in Employee Related Costs (Note 28)	8 866 889	1 712 392
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The history of experienced adjustments is as follows:

	2011 R	2010 R	2009 R	2008 R	2007 R
Present Value of Defined Benefit Obligation	39 282 357	31 558 072	30 955 965	30 955 965	-
Deficit	39 282 357	31 558 072	30 955 965	30 955 965	-
Experienced adjustments on Plan Liabilities	1 194 736	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	815 462	826 466
Effect on the defined benefit obligation	6 559 965	5 002 600

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(654 067)	(658 984)
Effect on the defined benefit obligation	(5 332 013)	(4 098 211)

The municipality expects to make a contribution of R5 310 million (2010: R4 398 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 48 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

19. NON-CURRENT PROVISIONS

Provision for Long Service Awards	5 261 668	4 115 594
Provision for Rehabilitation of Land-fill Sites	2 633 229	1 839 539

Total Non-current Provisions	7 894 897	5 955 133
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The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2011		
Balance at beginning of year	4 115 594	1 839 539
Contributions to provision	1 712 664	793 690
	5 828 258	2 633 229
Transfer to current provisions	(566 590)	-
Balance at end of year	5 261 668	2 633 229
30 June 2010		
Balance at beginning of year	4 156 658	1 679 754
Contributions to provision	716 318	159 785
	4 872 976	1 839 539
Transfer to current provisions	(757 382)	-
Balance at end of year	4 115 594	1 839 539

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

19.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 662 (2010: 617) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2011 is estimated to be R663 240, whereas the cost for the ensuing year is estimated to be R799 362 (2010: R676 474 and R663 240 respectively).

2011
R **2010**
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.78%	9.03%
Cost Inflation Rate	6.27%	6.34%
Net Effective Discount Rate	1.42%	2.52%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	4 872 976	4 421 248
Current service costs	663 240	676 474
Interest cost	406 438	381 683
Benefits paid	(757 382)	(264 590)
Actuarial losses / (gains)	642 986	(341 839)

Present Value of Fund Obligation at the end of the Year	5 828 258	4 872 976
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Actuarial losses / (gains) unrecognised	-	-
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Total Recognised Benefit Liability	5 828 258	4 872 976
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5 828 258	4 872 976
Unfunded Accrued Liability	5 828 258	4 872 976
Actuarial gains / (losses) not recognised	-	-

Total Benefit Liability	5 828 258	4 872 976
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	663 240	676 474
Interest cost	406 438	381 683
Actuarial losses / (gains)	642 986	(341 839)

Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 712 664	716 318
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MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2009 R	2008 R	2007 R
The history of experienced adjustments is as follows:					
Present Value of Defined Benefit Obligation	5 828 258	4 872 976	4 421 248	4 421 248	-
Deficit	5 828 258	4 872 976	4 421 248	4 421 248	-
Experienced adjustments on Plan Liabilities	204 219	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2011 R	2010 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	67 249	61 001
Effect on the defined benefit obligation	398 020	301 444
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(60 429)	(54 867)
Effect on the defined benefit obligation	(360 764)	(274 228)

The municipality expects to make a contribution of R1 231 million (2010: R1 070 million) to the defined benefit plans during the next financial year.

19.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R2,6 (2010: R 1,8) million to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

20. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	29 630 066	21 049 770
Capitalisation Reserve	89 687 814	97 298 065
Donations and Public Contributions Reserve	7 421 916	553 323
Government Grants Reserve	576 728 110	436 487 973
Accumulated Surplus / (Deficit) due to the results of Operations	349 164 850	300 801 054
Total Accumulated Surplus	1 052 632 756	856 190 186

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 38.1 "Change in Accounting Policy" for details of the restatements.

- Reclassification of Assets - Note 39.1
- Reclassification of Creditors for Retention Moneys - Note 39.2
- Reclassification of Creditors for Staff Leave Accrued - Note 39.2
- Reclassification of Creditors for Employee Rated Costs - Note 39.2

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2011 R000's	July 2010 R000's		
Residential	5 919 853	5 919 853	13 655 336	12 346 998
Commercial	2 075 044	2 075 044	16 179 054	13 681 636
Industrial	1 524 167	1 524 167	3 237 150	2 274 736
State	965 717	965 717	783 380	696 953
Municipal	51 256	51 256	-	-
Consent Use	25 848	25 848	234 810	235 387
Undeveloped Properties	178 328	178 328	1 178 926	1 210 524
Total Property Rates	10 740 213	10 740 213	35 268 655	30 446 236

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,8427 c/R (2009/10: 0,7950 c/R)

Business Properties: 1,6854 c/R (2009/10: 1,5900 c/R)

Agricultural Properties: 0,2107 c/R (2009/10: 0,1988 c/R)

A rebate of 40,00% (2009/10: 40,00%) was allowed on residential properties whilst a discount of 30,00% (2009/10: 30,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	172 433 712	144 343 387
Other Subsidies	24 005 329	4 086 770
Operational Grants	196 439 041	148 430 157
Conditional Grants	171 513 307	160 008 494
National: Equitable Share	20 359 481	18 645 609
National: FMG	1 000 000	929 603
National: MIG	97 601 144	66 721 249
National: MSIG	750 000	735 000
National: DWAF	48 562 741	65 367 468
National: Minerals and Energy	223 133	5 045 505
Provincial: Office of The Premier	37 815	-
Other Government: National Lottery Fund	2 978 993	2 564 061
Total Government Grants and Subsidies	367 952 348	308 438 651
Operational Grants:		
22.1 National: Equitable Share	172 433 712	144 343 387
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R156 (2010: R151), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
Conditional Grants:		
22.2 National: Equitable Share		
Balance unspent at beginning of year	2 812 312	9 530 962
Current year receipts	21 530 000	11 926 958
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(18 645 609)
Conditions met - transferred to Revenue: Capital Expenses	(20 359 481)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	3 982 831	2 812 312
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.		
22.3 National: FMG Grant		
Balance unspent at beginning of year	-	179 603
Current year receipts	1 000 000	750 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(708 601)	(929 603)
Conditions met - transferred to Revenue: Capital Expenses	(291 399)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22.4 National: MIG Funds		
Balance unspent at beginning of year	20 341 795	19 514 044
Current year receipts	94 140 000	67 549 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(8 299 724)	(66 721 249)
Conditions met - transferred to Revenue: Capital Expenses	(89 301 421)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>16 880 651</u></u>	<u><u>20 341 795</u></u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

22.5 National: MSIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	750 000	735 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(750 000)	(735 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>-</u></u>	<u><u>-</u></u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

22.6 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	8 326 672	15 683 451
Current year receipts	76 685 805	58 010 690
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(12 533 000)	(65 367 468)
Conditions met - transferred to Revenue: Capital Expenses	(36 029 741)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>36 449 736</u></u>	<u><u>8 326 672</u></u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

22.7 National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	275 349	1 554 744
Current year receipts	-	3 766 110
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(223 133)	(5 045 505)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>52 216</u></u>	<u><u>275 349</u></u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22.8 National: National Treasury (Neighbourhood Development)		
Balance unspent at beginning of year	-	-
Current year receipts	43 078 551	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(17 749 623)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>25 328 928</u></u>	<u><u>-</u></u>

Expenses were incurred to promote rural development. No funds have been withheld.

22.9 Provincial: Office of the Premier

Balance unspent at beginning of year	1 448 999	1 448 999
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(37 815)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>1 411 184</u></u>	<u><u>1 448 999</u></u>

This grant was allocated to assist the municipality to set up a Call Centre. No funds have been withheld.

22.10 Other Government: National Lottery Fund

Balance unspent at beginning of year	3 612 417	512 803
Current year receipts	-	5 663 675
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 249 766)	(2 564 061)
Conditions met - transferred to Revenue: Capital Expenses	(729 227)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>633 424</u></u>	<u><u>3 612 417</u></u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

22.11 Other Government: National Roads Agency

Balance unspent at beginning of year	2 641 893	2 641 893
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><u>2 641 893</u></u>	<u><u>2 641 893</u></u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

22.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
23. PUBLIC CONTRIBUTIONS AND DONATIONS		
Conditional Contributions:		
European Union	-	344 810
Other Donations	8 401 556	159 050
Total Public Contributions and Donations	8 401 556	503 860

Reconciliation of Conditional Public Contributions and Donations:

23.1 Contributions from European Union

Balance unspent at beginning of year	-	344 810
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(344 810)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-

The municipality received funds from the European Union to improve the heritage site, Makapan's Valley. The donations were utilised for this purpose. No funds have been withheld.

24. SERVICE CHARGES

Sale of Electricity	130 714 500	106 241 754
Sale of Water	29 683 705	28 802 115
Refuse Removal	9 620 950	8 637 037
Sewerage and Sanitation Charges	10 360 894	9 716 496
Total Service Charges	180 380 049	153 397 401

Service Charges have been restated to correctly classify Revenue Foregone, previously included in Grants and Subsidies Paid. Refer to Note 39.3 "Correction of Error" for details of the restatement.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	720 039	600 378
Total Rental of Facilities and Equipment	720 039	600 378

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
26. INTEREST EARNED		
External Investments:		
Bank Account	364 571	390 302
Notice Deposits	14 389 593	11 453 338
Call Deposits	1 170 859	1 300 758
	15 925 024	13 144 398
Outstanding Debtors:		
Long-term Debtors	105 851	34 648
Outstanding Billing Debtors	17 123 485	16 044 445
	17 229 336	16 079 093
Total Interest Earned	33 154 359	29 223 491
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1 535 430	1 691 060
Held-to-Maturity Investments	14 389 593	11 453 338
Loans and Receivables	17 229 336	16 079 093
	33 154 359	29 223 491

27. OTHER REVENUE

Building Plan Fees	226 491	238 762
Cemetery Fees	200 092	221 730
Consent Use	29 476	13 670
Insurance Claims	1 755 441	1 657 016
Lease Advertising Signs	44 060	26 417
Legal Cost Recovered	76 064	77 487
Maintenance of Private Sidings	-	72 900
Non-attendance of Meetings	97 795	69 104
Prints	20 145	25 697
Retentions Forefeited	918 444	-
Telephone Cost Recovered	216 360	333 724
Tender Documents	391 423	556 750
Other Income	2 243 267	377 122
Total Other Revenue	6 219 059	3 670 378

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
28. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	75 786 018	66 417 885
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	21 389 525	18 435 853
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	21 437 850	15 375 687
Housing Benefits and Allowances	848 920	880 727
Overtime Payments	15 141 362	12 169 287
Performance Bonuses	-	-
Defined Benefit Plan Expense:	10 579 553	2 428 710
Current Service Cost	2 202 885	2 167 725
Interest Cost	3 264 662	3 154 713
Net Actuarial (gains)/losses recognised	5 112 006	(2 893 728)
Total Employee Related Costs	145 183 228	115 708 149

Employee Related Costs have been restated to correctly classify expenditure incurred for Salaries and Bonuses, not previously accrued for. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

Employee Related Costs have been restated to correctly classify expenditure incurred for Medical Aid Contributions, not previously accrued for. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

No advances were made to employees. Loans to employees are set out in Note 12.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	824 232	651 513
Performance Bonus	-	-
Car and Other Allowances	209 010	121 000
Company Contributions to UIF, Medical and Pension Funds	233 194	188 786
Total	1 266 436	961 299

Remuneration of the Chief Financial Officer

Annual Remuneration	728 082	111 128
Performance Bonus	-	-
Car and Other Allowances	182 083	20 000
Company Contributions to UIF, Medical and Pension Funds	161 725	24 705
Total	1 071 889	155 833

The post was vacant as from 01 January 2009 until 30 April 2010. An Acting Allowance was paid for the period.

Remuneration of the Manager: Community Services

Annual Remuneration	618 474	561 506
Performance Bonus	-	-
Car and Other Allowances	213 616	225 269
Company Contributions to UIF, Medical and Pension Funds	186 901	169 594
Total	1 018 991	956 369

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<i>Remuneration of the Manager: Corporate Services</i>		
Annual Remuneration	594 624	537 661
Performance Bonus	-	-
Car and Other Allowances	211 333	206 542
Company Contributions to UIF, Medical and Pension Funds	178 279	164 155
Total	984 236	908 358

The manager was suspended for the period December 2010 until June 2011 with full remuneration. An Acting Allowance was paid for the period.

<i>Remuneration of the Manager: Developmental Services</i>		
Annual Remuneration	659 556	599 748
Performance Bonus	-	-
Car and Other Allowances	227 746	222 914
Company Contributions to UIF, Medical and Pension Funds	178 502	163 877
Total	1 065 804	986 539

<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	623 520	567 871
Performance Bonus	-	-
Car and Other Allowances	195 046	190 408
Company Contributions to UIF, Medical and Pension Funds	165 373	150 809
Total	983 938	909 088

<i>Remuneration of the Manager: Traffic and Emergency Services</i>		
Annual Remuneration	603 921	548 586
Performance Bonus	-	-
Car and Other Allowances	196 600	191 785
Company Contributions to UIF, Medical and Pension Funds	178 383	160 979
Total	978 904	901 350

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	36 266	45 487
Chief Financial Officer	53 878	10 668
Manager: Community Services	85 498	64 169
Manager: Corporate Services	114 168	94 796
Manager: Developmental Services	114 921	81 734
Manager: Technical Services	63 599	56 787
Manager: Traffic and Emergency Services	72 664	42 965
Total	540 994	396 607

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
29. REMUNERATION OF COUNCILLORS		
Mayor	354 836	362 057
Speaker	253 965	297 709
Executive Committee Members	1 270 475	1 224 146
Councillors	6 743 165	6 349 338
Company Contributions to UIF, Medical and Pension Funds	1 097 841	1 206 206
Other Allowances (Cellular Phones, Housing, Transport, etc)	3 525 749	3 564 407
Total Councillors' Remuneration	13 246 031	13 003 863

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and one member of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

Security Services were rendered at the Mayor's house at the expense of the municipality.

30. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	40 899 995	35 349 933
Amortisation: Intangible Assets	565 624	981 091
Depreciation: Investment Property	91 633	91 633
Total Depreciation and Amortisation	41 557 251	36 422 657

Depreciation and Amortisation have been restated to correctly disclose the expense on Investment Property in terms of GRAP 16. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
31. IMPAIRMENT LOSSES		
31.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	739 910	-
Property, Plant and Equipment	739 910	-
Intangible Assets	-	-
Investment Property	-	-
	739 910	-
31.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	36 654 462	25 025 904
Long-term Receivables	-	1 604 430
Consumer Debtors	34 185 396	21 466 407
Other Debtors	2 469 067	1 955 067
Impairment Losses Reversed:	(106 141)	(176 562)
Long-term Receivables	(106 141)	(176 562)
Consumer Debtors	-	-
Other Debtors	-	-
	36 548 321	24 849 343
Total Impairment Losses	37 288 231	24 849 343
32. FINANCE COSTS		
The municipality did not incur any Finance Cost.		
33. BULK PURCHASES		
Electricity	84 735 898	66 666 959
Water	16 574 068	16 356 022
Total Bulk Purchases	101 309 966	83 022 981

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
34. CONTRACTED SERVICES		
Accounting Standards	620 382	570 395
Cash-in-Transit Services	81 673	92 070
Consultants' Fees	5 740 066	4 229 441
Internal Audit Fees	708 318	418 889
Performance Management System	639 314	-
Security Services	4 062 054	2 286 089
Township Establishment	-	154 028
Valuation Services	76 047	15 615
Water Supply to Villages	-	6 972 295
Other Contracted Services	607 639	514 818
Total Contracted Services	12 535 491	15 253 639

Contracted Services have been restated to correctly classify expenditure incurred during the previous financial year, previously not accrued for. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

35. GRANTS AND SUBSIDIES PAID

Arts and Culture Programme	1 000 500	-
Community Projects	37 769	33 690
Free Basic Services	12 090 268	6 047 267
Mayoral Discretionary Expenditure	2 796 466	1 368 029
Pauper Burials	39 455	52 001
Project Expenditure	5 981 088	5 876 877
Sport Events	305 581	303 519
Women's day	66 000	57 697
Total Grants and Subsidies	22 317 127	13 739 080

Grants and Subsidies Paid have been restated to correctly classify Revenue Foregone, previously included in expenditure for Free Basic Services. Refer to Note 39.3 on "Correction of Error" for details of the restatement.

Arts and Culture Programme is in respect of a youth cultural programme within the municipality's area of jurisdiction.

Community Projects are in respect of catering and transport cost of community development workers within the municipality's area of jurisdiction.

Free Basic Services are in respect of providing basic service levels to indigent households.

The **Mayor** makes grants available on own discretion.

Pauper Burials is paid to assist indigent community members in paying for burial services.

Project Expenditure is in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

Sport Events are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

The **Women's Day** is paid annually in the municipality's aim to further local economic development of all women in the communities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
36. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	2 641 845	2 027 603
Audit Fees	1 688 449	1 187 271
Bank Charges	670 834	543 798
Branding of the Municipality	147 645	39 800
Bursaries	197 218	135 766
Chemicals and Poison	168 173	109 477
Claims against the Municipality	244 607	-
Cleaning Material	150 463	110 564
Communication and Public Participation	344 934	627 219
Connection Fees	931 512	1 075 212
Connections and Disconnections	174 551	162 835
Disaster Expenditure	91 836	67 466
Electricity	2 901 417	1 865 315
Entertainment	315 034	154 206
Expenditure incurred from Finance Management Grant	213 101	125 376
GLPS Power Factor Correction	118 627	310 519
Hiring of Equipment	431 205	479 228
IDP Review	731 939	601 744
Insurance	3 441 021	3 454 680
Lease Charges	177 347	188 552
Legal Costs	4 732 959	3 925 576
Levies: SALGA	767 323	718 666
Loss Control	272 506	169 286
Materials and Stocks	204 360	133 591
Mayoral Special Programmes	203 001	306 414
Medical Examinations	386 079	42 693
Postage and Telegrams	300 103	318 054
Pound Fees	90 906	86 742
Refuse Removal	191 788	164 649
Sanitation and Sewerage	72 127	75 425
Signs	-	140 605
Stock Shortages/Surpluses	159 437	151 880
Telephone Cost	1 127 986	1 016 096
Tourism Strategy	82 500	-
Training Costs	381 226	513 772
Transport Costs	9 847 976	9 023 863
Travelling and Subsistence	1 400 218	1 718 604
Uniforms and Protective Clothing	613 299	661 449
Urban Greening Programme	1 249 266	942 510
Ward Committee Management	1 634 352	307 097
Waste Management	207 147	181 200
Water	467 336	423 937
Water Levy	154 204	242 728
Website Hosting	107 794	-
Other General Expenses	1 086 863	1 382 761
Expenditure Recharged	(24 849 241)	(20 135 103)
Total General Expenses	16 673 272	15 779 125

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
36.1 Material Losses	10 191 624	9 890 881
Fire Damages	-	2 500
Lightning Damages	124 771	110 000
Public Liability	-	50 000
Theft	20 000	103 515
Vehicle Damages	-	33 000
Other Losses	5 000	7 500
Distribution Losses:		
Electricity Losses	8 946 310	6 043 731
Water Losses	1 095 544	3 540 635

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

37. DISCONTINUED OPERATIONS

No operations have been discontinued.

38. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2010/11 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2011:

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 104 Financial Instruments

38.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2009	689 016 137
Correction of Error:-	
Reclassify Property, Plant & Equipment and Investment Property - Note 39.1	(2 045 970)
Reclassify Retention Moneys - Note 39.2	(190 489)
Reclassify Leave Pay Accrued - Note 39.2	(2 304 169)
Reclassify Employee Related Costs - Note 39.2	(464 746)
Restated Balances as at 30 June 2009	684 010 762
Transactions incurred for the Year 2009/10	172 179 423
Restated Balances as at 30 June 2010	856 190 186

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

GRAP 104 - Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

38.2 Reclassification of Trade Receivables from Exchange Transactions and Trade Receivables from Non-exchange Transactions

The prior year figures of Trade Receivables from Exchange Transactions together with the Provision for Impairment and Trade Receivables from Non-exchange Transactions together with the Provision for Impairment have been restated to correctly disclose the monies held by the municipality in terms of GRAP 104.

The effect of the Change in Accounting Policy is as follows:

	Receivables Exchange Transactions	Exchange Provision for Impairment	Receivables Non-exchange Transactions	Non-exchange Provision for Impairment
Balances published as at 30 June 2009	167 798 214	(141 494 759)	9 538 449	-
Reclassification of Debtors: Assessment Rates	(42 130 482)	30 804 759	42 130 482	(30 804 759)
Restated Balances as at 30 June 2009	125 667 732	(110 690 001)	51 668 931	(30 804 759)
Transactions incurred for the Year 2009/10:				
Debtors Transactions for the Year	30 811 155	(22 484 211)	3 355 613	-
Reclassification of Debtors: Assessment Rates	(2 068 342)	1 955 067	2 068 342	(1 955 067)
Restated Balances as at 30 June 2010	154 410 545	(131 219 144)	57 092 886	(32 759 826)

38.3 Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 01 July 2010.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Long-term Receivables				
Debtors Capitalised Loans	Loans and receivables	Amortised cost	2 898 676	2 898 676
Removal Cost Loans	Loans and receivables	Amortised cost	2 040	2 040
Trade Receivables from Exchange Transactions				
Electricity	Loans and receivables	Amortised cost	9 780 384	9 780 384
Refuse	Loans and receivables	Amortised cost	1 421 082	1 421 082
Sewerage	Loans and receivables	Amortised cost	2 216 348	2 216 348
Water	Loans and receivables	Amortised cost	2 662 733	2 662 733
Other Debtors	Loans and receivables	Amortised cost	7 110 854	7 110 854
Trade Receivables from Non-exchange Transactions				
Assessment Rates	Loans and receivables	Amortised cost	11 438 998	11 438 998
Sundry Deposits	Loans and receivables	Amortised cost	463 060	463 060
Sundry Debtors	Loans and receivables	Amortised cost	12 431 003	12 431 003
Bank, Cash and Cash Equivalents				
Call Deposits	Available for sale	Fair value	11 618 097	11 618 097
Notice Deposits	Held to maturity	Amortised cost	156 000 000	156 000 000
Bank Balances	Available for sale	Fair value	17 614 236	17 614 236
Cash Floats and Advances	Available for sale	Fair value	21 405	21 405

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Current Portion of Long-term Receivables				
Debtors Capitalised Loans	Loans and receivables	Amortised cost	4 183 301	4 183 301
Removal Cost Loans	Loans and receivables	Amortised cost	227	227
Sale of Stand Loans	Loans and receivables	Amortised cost	939 221	939 221
Study Cost Loans	Loans and receivables	Amortised cost	58 826	58 826
FINANCIAL LIABILITIES:				
Consumer Deposits				
Electricity and Water	Financial liabilities at amortised cost	Fair value	13 294 405	13 294 405
Creditors				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	17 570 090	17 570 090
Payments received in Advance	Financial liabilities at amortised cost	Amortised cost	9 306 405	9 306 405
Retentions	Financial liabilities at amortised cost	Fair value	18 454 088	18 454 088
Staff Leave	Financial liabilities at amortised cost	Amortised cost	11 139 022	11 139 022
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	253 081	253 081
Other Creditors	Financial liabilities at amortised cost	Amortised cost	801 223	801 223

Effect of the Change in Accounting Policy:

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2010 and the Accumulated Surplus of prior years was not affected either.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

39. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

39.1 Reclassification of Property, Plant & Equipment, Investment Property, Depreciation Charges and Accumulated Surplus

The opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the impairment of the Swimming Pool in terms of the Management Report of the Auditor-General for the 2010 financial year.

Furthermore, the opening balances of Property, Plant & Equipment and Investment Property have been restated to correctly disclose the Land for the Nursery in terms of the Management Report of the Auditor-General for the 2010 financial year.

Furthermore, the opening balances of Investment Property and Accumulated Surplus have been restated to correctly disclose Accumulated Depreciation not previously recognised in terms of the Management Report of the Auditor-General for the 2010 financial year.

Furthermore, the transactions for Investment Property and Depreciation Charges have been restated to correctly disclose the Depreciation Charge for the financial year 2009/10 not previously recognised in terms of the Management Report of the Auditor-General for the 2010 financial year.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Investment Property	Depreciation Charges
Balances published as at 30 June 2009	631 847 613	4 864 000	
Recognition of Impairment incurred on Swimming Pool	(763 112)	-	
Transfer of Land for Nursery	300 000	(300 000)	
Recognition of Accumulated Depreciation on Investment Property	-	(1 282 858)	
Restated Balances as at 30 June 2009	631 384 501	3 281 142	
Amount per AFS previously published for 2009/10			36 331 024
Transactions incurred for the Year 2009/10	114 126 373	-	
Recognition of Depreciation on Investment Property for the year 2009/10	-	(91 633)	91 633
Restated Balances as at 30 June 2010	745 510 874	3 189 509	36 422 657

39.2 Reclassification of Creditors, Other Debtors, Repairs & Maintenance, Contracted Services, Employee Related Costs and Accumulated Surplus

The opening balances of Creditors and Accumulated Surplus have been restated to correctly disclose Retention Money written-off in error during the previous financial year.

Furthermore, the opening balances of Creditors and Accumulated Surplus have been restated to correctly disclose Employee Related Costs incurred in previous financial years.

Furthermore, the prior year figures of Creditors and Employee Related Costs have been restated to correctly disclose salaries and bonuses incurred in previous financial years.

Furthermore, the prior year figures of Creditors and Employee Related Costs have been restated to correctly disclose leave pay incurred in previous financial years.

Furthermore, the prior year figures of Creditors, Other Debtors and Employee Related Costs have been restated to correctly record Medical Aid Contributions incurred during the previous financial year and not accrued for at year-end.

Furthermore, the prior year figures of Creditors, Repairs and Maintenance and Contracted Services have been restated to correctly record expenditure incurred during the previous financial year and not accrued for at year-end.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
The effect of the Correction of Error is as follows:		
	Creditors	Other Debtors
Balances published as at 30 June 2009	(48 169 735)	
Adjustment for Retention Money previously written-off	(190 489)	
Adjustment for Leave Pay Accrual incorrectly calculated	(2 304 169)	
Adjustment for Employee Related Costs not accrued for	(464 746)	
Restated Balances as at 30 June 2009	(51 129 140)	
Amount per AFS previously published for 2009/10		13 310 734
Transactions incurred for the Year 2009/10	(5 971 697)	
Adjustment for Employee Costs not accrued at 30 June	(300 000)	-
Adjustment for Medical Aid Contributions not accrued at 30 June	(22 348)	(416 672)
Adjustment for Expenditure not accrued at 30 June	(100 724)	-
Restated Amount currently disclosed for 2009/10	(57 523 908)	12 894 062
	Employee Related Costs	Repairs and Maintenance
		Contracted Services
Amount per AFS previously published for 2009/10	114 503 189	48 700 214
Adjustment for Employee Costs not accrued at 30 June	300 000	-
Adjustment for Medical Aid Contributions not accrued at 30 June	439 020	-
Adjustment for Leave Pay incorrectly calculated for 2009/10	465 940	-
Adjustment for Expenditure not accrued at 30 June	-	69 544
Restated Amount currently disclosed for 2009/10	115 708 149	48 769 757

39.3 Reclassification of Service Charges and Grants and Subsidies Paid

The prior year figures of Service Charges and Grants and Subsidies Paid have been restated to correctly record Revenue Foregone incurred during the previous financial year in terms of MFMA Budget Formats Guide for Municipalities.

The effect of the Correction of Error is as follows:

	Service Charges	Grants and Subsidies Paid
Amount per AFS previously published for 2009/10	170 631 037	30 972 716
Reclassification of Free Basic Electricity to Households	(12 608 431)	(12 608 431)
Reclassification of Free Basic Water to Households	(4 625 205)	(4 625 205)
Restated Amount currently disclosed for 2009/10	153 397 401	13 739 080

40. CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of Grap 3.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	196 442 570	172 179 423
Adjustment for:		
Depreciation and Amortisation	41 557 251	36 422 657
Impairment Losses on Property, Plant and Equipment	739 910	-
Gains on Disposal of Property, Plant and Equipment	(28 223)	-
Profit on Sale of Land	(6 747 229)	(3 851 489)
Property, Plant and Equipment transferred to Assets Held-for-Sale	311 250	-
Other Movement on Property, Plant and Equipment	(8 214 999)	29 075 843
Contribution to Retirement Benefit Liabilities	8 866 889	1 712 392
Expenditure incurred from Retirement Benefit Liabilities	(1 142 604)	(1 110 285)
Contribution to Provisions - Current	1 670 451	(1 212 620)
Contribution to Provisions - Non-current	2 506 354	876 103
Expenditure incurred from Provisions - Current	(757 382)	(264 590)
Contribution to Impairment Provision	36 548 321	24 849 343
Bad Debts Recovered	319 457	-
Bad Debts Written-off	(362 316)	(937 263)
Investment Income	(15 925 024)	(13 144 398)
Finance Costs	-	-
Operating surplus before working capital changes	255 784 676	244 595 115
Decrease/(Increase) in Inventories	(2 822 362)	(12 045)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	(311 250)	-
Decrease/(Increase) in Trade Receivables from Exchange Transactions	(36 561 025)	(28 742 813)
Decrease/(Increase) in Trade Receivables from Non-exchange Transactions	(4 606 710)	(5 423 955)
Decrease/(Increase) in VAT Receivable	(2 327 546)	8 750 029
Decrease/(Increase) in Operating Lease Assets	23 103	10 669
Increase/(Decrease) in Consumer Deposits	6 412 266	1 685 883
Increase/(Decrease) in Creditors	16 127 697	6 394 768
Increase/(Decrease) in Conditional Grants and Receipts	47 921 426	(11 951 871)
Increase/(Decrease) in Operating Lease Liabilities	-	(5 809)
Cash generated by / (utilised in) Operations	279 640 274	215 299 970
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/11 financial year.		
43. FINANCING FACILITIES		
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	(424 450)	(323 327)
- Amount unused	575 550	676 673
	1 000 000	1 000 000

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	11 570 504	-
Unauthorised Expenditure current year	3 021 525	11 570 504
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>14 592 030</u>	<u>11 570 504</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted amounts exceeded:-</i>	<i>To be condoned by Council</i>
- Impairment Losses - R0 (2010: R3 376 566)	
- Repairs and Maintenance - R0 (2010: R4 258 646)	
- Grants and Subsidies Paid - R0 (2010: R3 935 292)	
- Executive and Council - R1 020 945	
- Waste Management - R1 810 672	
- Other - R4 842	

44.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	283 221
Fruitless and Wasteful Expenditure current year	1 762 985	299 147
Condoned or written off by Council	-	(283 221)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	(299 147)
Fruitless and Wasteful Expenditure awaiting condonement	<u>1 762 985</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Unsatisfactory work (Machikiri Stormwater) - R49 881</i>	<i>None</i>
<i>Legal Cost (MR Thobojane) - R1 449 165</i>	<i>None</i>
<i>Legal Cost (Debtor Recovery) - R263 939</i>	<i>None</i>
<i>Fraudulent payment made to imposter - R0 (2010: R295 147)</i>	<i>Criminal case opened at South African Police Services - to be recovered</i>
<i>Overpayment of contractor - R0 (2010: R4 000)</i>	<i>To be recovered from future projects</i>

44.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	29 010 199	-
Irregular Expenditure current year	18 494 162	29 010 199
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>47 504 361</u>	<u>29 010 199</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Irregular awards to Contractors and Consultants</i>	<i>None. To be submitted to Council for condonement.</i>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	767 323	718 666
Amount Paid - current year	(767 323)	(718 666)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
45.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	1 688 449	1 187 271
Amount Paid - current year	(1 688 449)	(1 187 271)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
45.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.		
45.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	19 635 838	16 785 024
Amount Paid - current year	(19 635 838)	(16 785 024)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
45.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	29 499 065	25 412 264
Amount Paid - current year	(29 499 065)	(25 412 264)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
45.6 Councillor's arrear Consumer Accounts		
During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.		

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2011			
Councillor Mutshinya MF	4 345	825	3 520
Councillor Senosha SCG	7 963	1 391	6 572
Total Councillor Arrear Consumer Accounts	12 308	2 216	10 092
30 June 2010			
Councillor Selomo ME	3 493	504	2 989
Total Councillor Arrear Consumer Accounts	3 493	504	2 989

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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R

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2011	Highest amount outstanding	Ageing
Councillor Montane NS	598	> 90 Days
Councillor Mutshinya MF	3 520	> 90 Days
Councillor Selomo ME	2 634	> 90 Days
Councillor Senosha SCG	6 572	> 90 Days
Councillor Tsebe PH	220	> 90 Days

30 June 2010	Highest amount outstanding	Ageing
Councillor Selomo ME	2 989	> 90 Days
Councillor Teffo MB	1 204	> 90 Days

45.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

45.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Mayor	Year 2010/2011	Various occasions (121)	Various matters	2 442 867.78
121 Occasions during the year amounting to R2 442 867,78				
Office of the Municipal Manager	October 2010	Oasis Lodge	Catering, purchase of	10 170.00
	November 2010	IT Master/Ikando	printer and supply of 1	6 313.21
	December 2010	Northern Telecom	kVa UPS	2 394.00
Preferred venue for catering services needed; Urgent need for printer and urgent need for UPS				
Community Services	Year 2010/2011	Various occasions (7)	Cleaning material, projects, stationery, maintenance, etc	433 291.04
7 Occasions during the financial year for reasons of urgency, sole supplier, preferred supplier and already a contractor amounting to R433 291,04				
Corporate Support Services	Year 2010/2011	Various occasions (8)	Cleaning material, acquisition of assets, maintenance, etc	314 009.80
8 Occasions during the financial year for reasons of urgency, sole supplier and preferred supplier amounting to R314 009,80				
Developmental Services	Year 2010/2011	Various occasions (7)	Catering, printing, photo frame, rental, entertainment, etc	188 210.00
7 Occasions during the financial year for reasons of urgency, preferred supplier and time constraints amounting to R188 210,00				
Electrical Services	Year 2010/2011	Various occasions (25)	Repairs, transformer oil, clothing, training, equipment, etc	656 741.50
25 Occasions during the financial year for reasons of urgency, sole supplier and preferred supplier amounting to R656 741,50				
Financial Services	Year 2010/2011	Various occasions (7)	Stationery, laptop, repairs, etc	507 437.90
7 Occasions during the financial year for reasons of urgency and sole supplier amounting to R507 437,90				
Supply Chain Management Services	Year 2010/2011	Various occasions (4)	Maglite torch and materials	14 604.28
4 Occasions during the financial year for reasons of urgency and limited bidding amounting to R14 604,28				

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
Technical Services	Year 2010/2011	Various occasions (18)	Chemicals, materials, repairs, assets, etc	918 897.56
18 Occasions during the financial year for reasons of urgency, sole supplier, preferred supplier and time constraints amounting to R918 897,56				
Traffic and Emergency Services	Year 2010/2011	Various occasions (23)	Stationery, uniforms, repairs, disaster, assets, etc	321 788.34
23 Occasions during the financial year for reasons of urgency, sole supplier, preferred supplier and emergency amounting to R321 788,34				

46. COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

Other

79 050 656

113 749 743

65 695 925

111 551 796

12 189 942

748 948

1 164 789

1 448 999

- Approved but Not Yet Contracted for:-

Infrastructure

Community

Other

-

-

-

-

-

-

-

-

Total Capital Commitments

79 050 656

113 749 743

This expenditure will be financed from:

Capital Replacement Reserve

Government Grants

57 599

824 613

78 993 057

112 925 130

79 050 656

113 749 743

46.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 8 and 17.

46.3 Other Commitments

The municipality has entered into a contract with Ducharme Consulting Services for the compilation of Annual Financial Statements for 2 years, which will give rise to a total charge of R1 439 160.

The municipality has entered into a contract with Baepereki Consultants for administering the Project Management Unit for 3 years, which will give rise to a charge of 2,7% of actual project expenditure payable on a monthly basis.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

47. FINANCIAL INSTRUMENTS

47.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Debtors Capitalised Loans	Amortised cost	2 837 085	2 898 676
Removal Cost Loans	Amortised cost	3 514	2 040
Trade Receivables from Exchange Transactions			
Electricity	Amortised cost	9 571 358	9 780 384
Refuse	Amortised cost	1 676 542	1 421 082
Sewerage	Amortised cost	2 617 304	2 216 348
Water	Amortised cost	3 598 153	2 662 733
Other Debtors	Amortised cost	8 146 534	7 110 854
Trade Receivables from Non-exchange Transactions			
Assessment Rates	Amortised cost	12 410 920	11 438 998
Sundry Deposits	Amortised cost	463 060	463 060
Sundry Debtors	Amortised cost	13 596 724	12 431 003
Bank, Cash and Cash Equivalents			
Call Deposits	Fair value	19 788 944	11 618 097
Notice Deposits	Amortised cost	243 000 000	156 000 000
Bank Balances	Fair value	31 224 278	17 614 236
Cash Floats and Advances	Fair value	21 405	21 405
Current Portion of Long-term Receivables			
Debtors Capitalised Loans	Amortised cost	4 871 120	4 183 301
Removal Cost Loans	Amortised cost	4 685	227
Sale of Stand Loans	Amortised cost	1 401 289	939 221
Study Cost Loans	Amortised cost	53 777	58 826

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	Debtors Capitalised Loans	2 837 085	2 898 676
Long-term Receivables	Removal Cost Loans	3 514	2 040
Trade Receivables from Exchange Transactions	Electricity	9 571 358	9 780 384
Trade Receivables from Exchange Transactions	Refuse	1 676 542	1 421 082
Trade Receivables from Exchange Transactions	Sewerage	2 617 304	2 216 348
Trade Receivables from Exchange Transactions	Water	3 598 153	2 662 733
Trade Receivables from Exchange Transactions	Other Debtors	8 146 534	7 110 854
Trade Receivables from Non-exchange Transactions	Assessment Rates	12 410 920	11 438 998
Trade Receivables from Non-exchange Transactions	Sundry Deposits	463 060	463 060
Trade Receivables from Non-exchange Transactions	Sundry Debtors	13 596 724	12 431 003
Current Portion of Long-term Receivables	Debtors Capitalised Loans	4 871 120	4 183 301
Current Portion of Long-term Receivables	Removal Cost Loans	4 685	227
Current Portion of Long-term Receivables	Sale of Stand Loans	1 401 289	939 221
Current Portion of Long-term Receivables	Study Cost Loans	53 777	58 826
Bank,Cash and Cash Equivalents	Notice Deposits	243 000 000	156 000 000
		<u>304 252 065</u>	<u>211 606 752</u>

Financial Assets at Fair Value:

Bank,Cash and Cash Equivalents	Call Deposits	19 788 944	11 618 097
Bank,Cash and Cash Equivalents	Bank Balances	31 224 278	17 614 236
Bank,Cash and Cash Equivalents	Cash Floats and Advances	21 405	21 405
		<u>51 034 627</u>	<u>29 253 738</u>

Total Financial Assets

355 286 692 **240 860 490**

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Consumer Deposits			
Electricity and Water	Fair value	19 706 671	13 294 405
Creditors			
Trade Creditors	Amortised cost	25 922 217	17 570 090
Payments received in Advance	Fair value	11 940 743	9 306 405
Retentions	Amortised cost	21 108 838	18 454 088
Staff Leave	Amortised cost	13 597 227	11 139 022
Sundry Deposits	Amortised cost	317 833	253 081
Other Creditors	Amortised cost	764 746	801 223

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Creditors	Trade Creditors	25 922 217	17 570 090
Creditors	Retentions	21 108 838	18 454 088
Creditors	Staff Leave	13 597 227	11 139 022
Creditors	Sundry Deposits	317 833	253 081
Creditors	Other Creditors	764 746	801 223
		<u>61 710 862</u>	<u>48 217 503</u>
Financial Liabilities at Fair Value:			
Consumer Deposits	Electricity and Water	19 706 671	13 294 405
Creditors	Payments received in Advance	11 940 743	9 306 405
		<u>31 647 414</u>	<u>22 600 809</u>
Total Financial Liabilities		<u>93 358 276</u>	<u>70 818 313</u>

47.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

The Financial Instruments of the municipality have been reclassified as disclosed in Note 38.3, Change in Accounting Policy.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2011

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Notice Deposits	-	243 000 000	-	243 000 000
Call Deposits	-	19 788 944	-	19 788 944
Bank Balances and Cash	-	31 245 683	-	31 245 683
Total Financial Assets	<u>-</u>	<u>294 034 627</u>	<u>-</u>	<u>294 034 627</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>294 034 627</u>	<u>-</u>	<u>294 034 627</u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
30 June 2010				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Notice Deposits	-	156 000 000	-	156 000 000
Call Deposits	-	11 618 097	-	11 618 097
Bank Balances and Cash	-	17 635 641	-	17 635 641
Total Financial Assets	-	185 253 738	-	185 253 738
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	185 253 738	-	185 253 738

47.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

	2011 R	2010 R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Bank, Cash and Cash Equivalents	(31 245 683)	(17 635 641)
Net Debt	(31 245 683)	(17 635 641)
Total Capital	1 021 387 073	838 554 545
Net debt to equity ratio	-3.06%	-2.10%

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

47.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

47.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 47.8 and 47.9 to the Annual Financial Statements.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

47.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

47.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 47.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2011 would have decreased / increased by R401 228 (2010: decreased / increased by R186 742). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

47.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2011		30 June 2010	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Department of Education, Arts and Culture	-	12 658 542	-	10 801 843
Walton Eiendomme BK	-	1 682 008	-	-
Makapan Mall (Pty) Ltd	-	1 332 756	-	-
Nedan Oil Mills (Pty) Ltd	-	1 071 620	-	-
Northern Province Academy of Sport	-	996 787	-	921 302
Department of Water Affairs and Forestry	-	-	-	1 162 035
Lepelle Northern Water	-	-	-	854 312
Resilient Property (Pty) Ltd	-	-	-	782 317
			2011 R	2010 R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	10 669 760	9 686 721
Consumer Debtors	190 971 570	154 410 545
Other Debtors	61 699 596	57 092 886
Bank, Cash and Cash Equivalents	294 034 627	185 253 738
Maximum Credit and Interest Risk Exposure	557 375 553	406 443 890

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	76.07%	74.74%
- Industrial / Commercial	8.74%	9.21%
- National and Provincial Government	9.63%	9.96%
Other Debtors:		
- Other not Classified	5.56%	6.10%
Total Credit Risk	100.00%	100.00%

Bank and Cash Balances

ABSA Bank Ltd	75 000 000	57 000 000
First National Bank	50 000 000	20 000 000
Nedbank	80 000 000	45 000 000
Standard Bank	89 013 222	63 232 333
Cash Equivalents	21 405	21 405
Total Bank and Cash Balances	294 034 627	185 253 738

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Group 1	1 401 289	939 221
Group 2	61 977	61 093
Group 3	7 708 205	7 081 977

Total Long-term Receivables

9 171 471	8 082 291
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Trade Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	11 981 610	9 733 532
Group 2	1 730 464	1 900 659

13 712 074	11 634 191
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Total Trade Receivables from Exchange Transactions

13 712 074	11 634 191
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Trade Receivables from Non-exchange Transactions

Group 1	16 594 379	15 776 431
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Total Trade Receivables from Non-exchange Transactions

16 594 379	15 776 431
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Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

47. FINANCIAL INSTRUMENTS (Continued)

47.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2011	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	93 358 276	93 358 276	-	-	-	-
			93 358 276	93 358 276	-	-	-	-
30 June 2010								
Non-interest Bearing		0.00%	70 818 313	70 818 313	-	-	-	-
			70 818 313	70 818 313	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2011	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	61 273 470	61 273 470	-	-	-	-
Variable Interest Rate Instruments		3.83%	51 013 222	51 013 222	-	-	-	-
Fixed Interest Rate Instruments		7.21%	243 000 000	243 000 000	-	-	-	-
			355 286 692	355 286 692	-	-	-	-
30 June 2010								
Non-interest Bearing		0.00%	55 628 157	55 628 157	-	-	-	-
Variable Interest Rate Instruments		5.58%	29 232 333	29 232 333	-	-	-	-
Fixed Interest Rate Instruments		8.74%	156 000 000	156 000 000	-	-	-	-
			240 860 490	240 860 490	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R575 550 (2010: R676 673), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

47.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2011

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		262 788 944	262 788 944	-	-	-	-
Bank Balances and Cash	7		31 245 683	31 245 683	-	-	-	-
Total Fixed Rate Instruments			294 034 627	294 034 627	-	-	-	-

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		167 618 097	167 618 097	-	-	-	-
Bank Balances and Cash	7		17 635 641	17 635 641	-	-	-	-
Total Fixed Rate Instruments			185 253 738	185 253 738	-	-	-	-

47.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

48. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R16,7 million (2010: R14,2 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

No further information could be obtained.

Transvaal Municipal Pension Fund:

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a funding ratio of 94,0% (30 June 2006: 106,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

49. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

49.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Beyers-Smit CF	Councillor	Owner and 25% Interest in Ntsepe Financial Services CC
Kekana VH	Councillor	Director of and 50% Interest in Leokga Trading & Enterprise
Kganyago LC	Councillor	Director of and 25% Interest in African Haze Trading
Kiba DS	Councillor	Beneficiary of Tlhotlong Business Association
Mabuela FM	Councillor	Husband is a Director of and has 50% Interest in Sintha Construction & Trading CC
Mmaphuti MS	Councillor	Owner and 100% Interest in Kheina Catering Services CC
Morkel-Brink GE	Councillor	Trustee of Babsita Family Trust; Trustee of "Trust vir die Bemagtiging vir Afrikaners"
Manganye J (Not re-elected)	Councillor	2% Interest in Early Child Development Practioners
Van Heerden JD (Not re-elected)	Councillor	Part time worker at JD van Heerden Valuers, owned by a child
Mogashwe ST	Manager	Director of and 50% Interest in Notasle Signs; Director of and 100% Interest in Nurabe Security; Director of and 100% Interest in Stonefound Eng Sol; Director of and 100% Interest in Gasridge Investment Solutions
Mphago KJ	Manager	100% Ownership in Taxshop Polokwane South Franchise
De Villiers IA	Deputy Manager	20% Interest in AMS Haven 139; Director of and 20% Interest in Altmic Properties 55; Director of and 33,3% Interest in Romanesque Property Investments 49
Hungwani S	Divisional Head	25% Membership in Xirami Development Specialist; 100% Membership in Nhlaluko Development Consultants

MOGALAKWENA MUNICIPALITY
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2011
R **2010**
R

Name of Related Person	Designation	Description of Related Party Relationship
Mashilwane LF (Resigned 2011/03/31) Ragoasha MKM	Official Official (SCM)	100% Ownership in Sengape Development Projects Partner in Vitnumus Investments; Partner and 20% Interest in Decency Telecommunications; Partner and 50% Interest in Kay-k Trading; Owner and 100% Interest in Bakgabile Creations & Décor
Matsetela E	Official	Spouse the owner of Matsoma Trading Enterprises

49.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2011				
Councillors	51 035	138 474	-	37 784
Municipal Manager and Section 57 Personnel	13 667	27 594	-	5 147
Total Services	64 702	166 068	-	42 932
For the Year ended 30 June 2010				
Councillors	35 993	170 487	-	20 736
Municipal Manager and Section 57 Personnel	11 559	21 910	-	5 163
Total Services	47 552	192 397	-	25 899

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

49.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

49.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

49.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Dynasty Printers (Pty) Ltd	Cachalia A	Director (Spouse)	Councillor	1 021 951	144 985
Tau Industries	Grove A	Owner (Parent)	Official	4 808 906	4 244 635
Total Purchases				5 830 857	4 389 620

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

50. CONTINGENT LIABILITIES

50.1 Guarantees:

22 640 500 **-**

(ii) The municipality issued a bank guarantee in the amount of R22 640 500 in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.

50.2 Court Proceedings:

25 911 442 **33 684 081**

(i) Dispute on Water Account:

96 000 96 000

The municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The plaintiff's Discovery Affidavit and the trial date from Registrar is awaited. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from its Provision for Bad Debts. The municipality is proceeding with a debtor's claim of R860 000 against the plaintiff. The outcome of the case is still uncertain.

(ii) Termination of Mandate for Debt Collection:

8 465 022 8 465 022

The municipality is being sued by Katlego Benefit Administrators for termination of mandate for debt collection. The municipality is defending the claim based on legal advice. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from the Accumulated Surplus or by the municipality's insurers. The matter was postponed for plaintiff to submit proof of registration as a debt collector. The outcome of the case is still uncertain.

(iii) Damages to Underground Cables:

58 786 58 786

The municipality is being sued by Telkom for damages to underground cables. A letter of demand was received on 8 May 2008 and further information has been requested from Telkom. No further developments have taken place. The outcome of the case is still uncertain.

(iv) Claim for Defamation:

50 000 50 000

The municipality is being sued by Kersten Max Will for damages due to defamation. Mr Will has passed away since. The claim has been forwarded to the municipality's Insurers who awaits action from the executor. The outcome of the case is still uncertain.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
(v) Repossession of Land: The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-Al Properties CC, and repossessed the portion of land. Gov-Al Properties CC are now suing the municipality in the High Court in order to get possession of the land again. The case was removed from the roll on 5 May 2008. Subsequently a summons was received and a trial date was set for 3 May 2011, which was postponed. The outcome of the case is still uncertain.	817 513	817 513
(vi) Claim for Injuries Sustained: The municipality is being sued by Ms R du Toit for alleged injuries sustained when she fell due to a damaged pavement. Legal costs are excluded from this claim. The matter was referred to the municipality's Insurers. The outcome of the process is unknown at this stage.	100 000	100 000
(vii) Building Services Rendered: The municipality is being sued by SA Call Centre Solutions for alleged services rendered for the design, build, implementation and support of a 20-seater Call Centre. A trial date has been set for 2 May 2012 and the outcome of the case is still uncertain.	216 558	216 558
(viii) Damages to Vehicle: The municipality is being sued by National Highway Markings after a vehicle collision. A letter of demand was received 2 January 2008. The claim was forwarded to the municipality's Insurers. Subsequently, the file was closed.	-	9 104
(ix) Devaluation of Property: A letter of demand was received on 8 May 2008 from Magnolia Complex Residents. The residents allege that their property devaluated after incorrectly approving a rezoning without conducting a hearing in respect of objections. The matter was referred to the municipality's Insurers who rejected the claim. The Insurers now indicated that the repudiation was reconsidered and the claim is being reconsidered. The outcome of the claim is still uncertain. Plaintiff settled for legal fees to be paid and boundary wall to be built by the defendant, which has been finalised.	-	500 000
(x) Stolen Equipment: Tsa Khomotso claimed against the municipality for alleged stolen electrical equipment/pipes. The matter has been referred to the municipality's Insurers who indicated that the claim has been rejected and that the file has been closed.	-	100 000
(xi) Damaged Computer Equipment: The municipality is being sued by Mr DJN Coetzer for damages to computer equipment. The claim has been submitted to the municipality's Insurers, who rejected the claim. Subsequently, the file on this matter was closed.	-	16 099
(xii) Damaged Electrical Appliances: The municipality is being sued by Ms IJ Koekemoer for damages on electrical appliances due to loose neutral electrical mains. The claim has been referred to the municipality's Insurers who rejected the same and indicated that any action will be defended. Subsequently, the file on this matter was closed.	-	7 245
(xiii) Damages and Injuries due to Collision: A civil claim for damages was received in August 2009. Mrs PL Payne claims for damages to her vehicle and personal injuries sustained resulting from a motor vehicle collision on the Maribashoek/Planknek Road allegedly caused by potholes in the road. The matter has been submitted to the municipality's Insurers. No documentation was submitted to support the claim and the file was closed.	-	1 000 000

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
(xiv) Damages and Injuries Sustained: A letter of demand was received in May 2009 from N Kelly Inc on behalf of JF Herbst. The plaintiff collided with a telecommunications mast on the R101 allegedly caused by failure on the municipality's side to ensure that vehicular traffic was sufficiently made aware of the presence of the conversions and/or nature and extent of disguised hazards on the R101. The claim is for hospitalisation, medical treatment, surgery, disability, pain suffered and loss of amenities of life and excludes legal costs. The R101 falls outside the municipality's jurisdiction. However, the matter was referred to the municipality's Insurers. Subsequently, the Insurers indicated that the municipality is not liable and the file has been closed.	-	14 500 000
(xv) Non-payment for Work Done: The municipality is being summoned by Hlohlweni Business Enterprises CC for non-payment of the agreed fee of 15% for the procurement of funds from the National Lottery and excludes legal costs. The matter was referred to the municipality's attorneys. A trial date has been set for 6 September 2010, but has been postponed to 6 December 2010. The outcome of the matter is still unknown.	4 247 755	4 247 755
(xvi) Claim for Storm Water Damages: A claim was received from MA Makhafola for alleged damages to the claimant's house when it was flooded due to poor storm water reticulation systems. The matter has been submitted to the municipality's Attorneys. The outcome of the matter is still uncertain.	3 500 000	3 500 000
(xvii) Claim for Retention Money: A claim was received from Segole II Development Trust the payment of retention money. It is alleged that Waterberg District Municipality paid the retention money over to the municipality to pay to the claimant. The matter has been submitted to the municipality's Attorneys. No progress has been made to date and the outcome of the matter is still uncertain.	59 517	-
(xviii) Claim for Losses Sustained: A claim was received from Emang Development Projects CC for alleged losses sustained when the municipality terminated the contract they were working on on grounds of non-performance. No progress has been made to date and the outcome of the matter is still uncertain.	365 132	-
(xix) Claim for Losses Sustained: A claim was received from MJ Masimini for losses sustained on the transport of property. The municipality is allegedly a party to an illegal transfer of property. No progress has been made to date and the outcome of the matter is still uncertain.	278 158	-
(xx) Claim for Losses Sustained: A letter of intent to summon for losses incurred was received from LD Phahladira. The municipality allegedly built RDP houses on the claimant's farm. The summons is awaited and the outcome of the matter is still uncertain.	7 500 000	-
(xxi) Claim for Violation of Human Dignity: A claim was received from MS Bambo for the violation of his dignity. The municipality invited the claimant to an interview for a vacant position, but claimant was not appointed. No progress has been made to date and the outcome of the matter is still uncertain.	157 001	-
(xxii) Upgrading of Electricity Demand: The municipality applied to Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers. Eskom requires a deposit for guarantee to the amount of R22 640 500. The municipality arranged with its banker to issue a bank guarantee to the effect (see Note 50.1).	-	-
(xxiii) Contesting Tender Procedures: AON South Africa (Pty) Ltd is contesting the tender procedures followed for the appointment of the municipality's insurers. AON was allegedly the cheapest tender but was not appointed. A trial date is awaited, probably during 22 to 26 August 2011 and the outcome of the matter is still uncertain.	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

(xxiv) Contesting Council Resolution:

Lake View Estates is appealing against a resolution of the council not to approve a township development. The appeal procedure was postponed and is unlikely to continue. The outcome of the matter is still unknown.

- -

51. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

51.1 Insurance Claims:

(i) The municipality has a claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R1,86 million will be recovered.

1 859 683 **-**

52. COMPARISON WITH THE BUDGET

Budgeted amounts for expenditure have been exceeded as indicated below:

Category of Expenditure	30 June 2011		30 June 2010	
	Budgeted	Actual	Budgeted	Actual
	Amount	Amount	Amount	Amount
	R	R	R	R
Impairment Losses	32 193 880	37 288 231	21 472 777	24 849 343
Repairs and Maintenance	-	-	44 511 111	48 769 757
Grants and Subsidies Paid	-	-	9 803 788	13 739 080
Loss on Disposal of Property, Plant and Equipment	-	28 223	-	-
Total Expenditure	-	-	-	-

The excess expenditure has not been authorised and is disclosed as such in Note 44.1.

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure for the current year, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

54. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2010/11.

55. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 38) and Prior Period Errors (Note 39).

APPENDIX A
MOGALAKWENA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2010	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2011
	R				R	R	R	R

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	Additions 2011
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R	R
Carports	595 938	-	-	-	-	595 938	317 728	17 861	-	-	335 589	260 349	-
Hostels: Public and Tourist	85 671	-	-	-	-	85 671	75 590	2 850	-	-	78 440	7 231	-
Houses	464 882	-	-	-	-	464 882	408 721	14 777	-	-	423 498	41 384	-
Land: Developed	41 220 934	-	-	-	-	41 220 934	-	-	-	-	-	41 220 934	-
Land: Undeveloped	31 427 394	-	-	-	-	31 427 394	-	-	-	-	-	31 427 394	-
Office Buildings	16 568 381	-	37 815	-	-	16 606 196	3 939 884	588 740	-	-	4 528 624	12 077 572	37 815
Warehouses	2 096 336	32 573	-	-	-	2 128 909	1 371 138	74 187	-	-	1 445 325	683 584	32 574
Workshops and Depots	514 033	-	-	-	-	514 033	167 567	17 134	-	-	184 702	329 331	-
Air Conditioning Systems	283 153	-	-	-	-	283 153	30 898	12 455	-	-	43 353	239 800	-
Elevator Systems	566 371	-	-	-	-	566 371	56 632	28 316	-	-	84 948	481 423	-
	93 823 091	32 573	37 815	-	-	93 893 479	6 368 158	756 321	-	-	7 124 480	86 769 000	70 389
Infrastructure													
<i>Electricity:</i>													
High Mast Lights	4 579 158	436 508	-	161 017	-	5 176 683	1 219 791	324 724	-	-	1 544 515	3 632 168	500 000
Mains	22 183 896	10 007 897	-	-	-	32 191 793	6 202 417	536 336	-	-	6 738 753	25 453 040	10 100 000
Meters	177 502	-	-	-	-	177 502	81 288	7 172	-	-	88 460	89 043	-
Substations	51 826 216	5 175 798	-	-	-	57 002 014	12 562 157	1 850 825	-	-	14 412 982	42 589 032	7 850 127
Supply and Reticulation	20 522 434	-	-	-	-	20 522 434	2 051 014	820 952	-	-	2 871 966	17 650 468	-
Transformers	24 653 938	1 000	-	-	-	24 654 938	4 165 096	509 672	-	-	4 674 767	19 980 170	1 000
Major Spare Parts in Inventory	2 284 941	-	-	1 578 157	-	3 863 098	-	-	-	-	-	3 863 098	-
<i>Roads and Transport:</i>													
Bus Terminals	351 000	-	-	-	-	351 000	159 413	17 550	-	-	176 963	174 038	-
Road Furniture (Lights, Signs, etc)	5 732 210	10 713 673	4 771 828	476 781	-	21 694 493	161 131	350 198	-	-	511 329	21 183 163	15 519 800
Roads: Asphalt	178 423 532	32 717 365	6 728 443	-	-	217 869 341	73 207 962	6 922 176	-	-	80 130 138	137 739 203	40 000 000
Roads: Concrete	-	677 092	1 552 653	-	-	2 229 746	-	8 377	-	-	8 377	2 221 368	2 250 000
Roads: Gravel	71 144 503	-	-	-	-	71 144 503	45 212 692	7 117 191	-	-	52 329 883	18 814 620	-
Roads: Paved	-	815 000	-	-	-	815 000	-	9 056	-	-	9 056	805 944	815 000
Stormwater	49 795 848	8 735 786	21 095 212	19 218 366	-	98 845 212	11 554 230	1 622 987	-	-	13 177 217	85 667 995	32 510 000
Railway Sidings	503 000	-	-	-	-	503 000	384 417	23 717	-	-	408 133	94 867	-
Taxi Ranks	228 694	-	-	-	-	228 694	156 175	10 165	-	-	166 341	62 353	-
Telkom Sleeves	3 970 739	-	-	-	-	3 970 739	336 177	198 537	-	-	534 714	3 436 025	-
<i>Sanitation:</i>													
Landfill Sites	1 141 401	2 725 000	-	-	-	3 866 401	3 703	44 127	-	-	47 830	3 818 571	2 730 000
<i>Sewerage:</i>													
Bulk Pipelines	29 800 294	559 466	-	1 004 145	-	31 363 906	8 575 826	624 003	-	-	9 199 829	22 164 076	600 000
Pumping Stations	2 791 205	240 728	33 750	-	-	3 065 683	235 245	89 967	-	-	325 212	2 740 471	300 000
Purification Works	5 904 841	6 002 610	2 657 172	-	-	14 564 623	844 313	203 271	-	-	1 047 584	13 517 040	9 220 263
Sewers / Reticulation	25 756 283	41 169	-	-	-	25 797 452	812 780	429 557	-	-	1 242 337	24 555 115	97 399

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
<i>Water:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Boreholes	4 066 014	3 513 811	158 000	-	-	7 737 825	31 726	101 824	-	-	133 550	7 604 276	4 500 000
Dams	-	639 285	-	-	-	639 285	-	42 619	-	-	42 619	596 666	1 000 000
Meters	13 839	1 627 678	550 600	-	-	2 192 117	4 817	923	-	-	5 740	2 186 377	1 640 000
Pumping Stations	16 329 740	4 040 729	-	-	-	20 370 469	3 508 040	433 859	-	-	3 941 899	16 428 570	5 000 000
Purification Plant	-	1 349 750	-	-	-	1 349 750	-	17 436	-	-	17 436	1 332 314	2 000 000
Reservoirs and Tanks	54 882 319	9 649 269	735 592	-	-	65 267 180	16 106 045	1 241 361	-	-	17 347 406	47 919 774	12 000 000
Metalwork	-	25 000	-	-	-	25 000	-	486	-	-	486	24 514	30 000
Standpipes	529 570	892 740	420 454	-	-	1 842 764	6 011	53 810	-	-	59 821	1 782 943	1 500 000
Supply and Reticulation	94 178 387	12 585 639	18 269 387	57 405 425	-	182 438 838	20 276 731	2 748 542	-	-	23 025 273	159 413 564	48 048 435
Telemetry Systems	232 347	35 000	-	-	-	267 347	141 846	16 851	-	-	158 697	108 650	50 000
	672 003 853	113 207 995	56 973 091	79 843 890	-	922 028 829	208 001 041	26 378 272	-	-	234 379 312	687 649 517	198 262 024
Community Assets													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	1 748 120	-	-	-	-	1 748 120	595 039	58 271	-	-	653 310	1 094 810	-
Sport and Recreational Facilities	12 751 872	966 845	8 884 845	-	-	22 603 562	11 019 097	1 030 990	(6 636 842)	-	5 413 244	17 190 318	26 328 000
Stadiums	3 214 179	14 665	-	-	-	3 228 844	515 915	114 710	-	-	630 624	2 598 219	19 664
<i>Other Facilities:</i>													
Cemeteries	215 181	-	-	-	-	215 181	59 505	7 173	-	-	66 678	148 503	-
Community Centres	10 936 911	77 687	-	-	-	11 014 598	3 053 749	373 196	-	-	3 426 945	7 587 653	100 000
Fire Stations	7 300 000	-	-	-	-	7 300 000	2 210 278	243 333	-	-	2 453 611	4 846 389	-
Libraries	64 500 000	-	2 260 975	-	-	66 760 975	19 529 167	2 150 000	-	-	21 679 167	45 081 809	8 500 000
Markets	3 132 549	-	-	-	-	3 132 549	309 121	104 404	-	-	413 525	2 719 024	-
Nurseries	145 529	-	-	-	-	145 529	41 153	4 888	-	-	46 041	99 488	-
Old Age Homes	4 050 848	-	-	-	-	4 050 848	2 236 366	134 728	-	-	2 371 094	1 679 754	-
Public Conveniences/Bathrooms	274 470	-	-	196 193	-	470 663	64 865	15 869	-	-	80 734	389 929	-
Vehicle Testing Centres	44 000	-	-	-	-	44 000	39 600	1 467	-	-	41 067	2 933	-
Perimeter Protection	2 128 730	436 458	-	1 978 665	-	4 543 853	396 914	216 962	-	-	613 875	3 929 977	-
Security Systems	482 091	-	-	-	-	482 091	155 307	89 298	-	-	244 605	237 486	-
	110 924 477	1 495 655	11 145 821	2 174 858	-	125 740 811	40 226 074	4 545 288	(6 636 842)	-	38 134 520	87 606 291	34 947 664
Heritage Assets													
Culturally Significant Buildings	51	-	-	-	-	51	-	-	-	-	-	51	-
Historical Sites	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
National Monuments	152	-	-	-	-	152	-	-	-	-	-	152	-
Municipal Jewelry	16 202	-	-	-	(16 202)	-	-	-	-	-	-	-	-
	5 752 544	-	-	-	(16 202)	5 736 342	-	-	-	-	-	5 736 342	-
Other Assets													
<i>Bins and Containers:</i>													
Collection Containers / Bins	580 012	282 838	-	-	-	862 850	124 283	98 118	-	-	222 401	640 449	335 180
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	68 301	-	-	-	-	68 301	18 062	7 513	-	-	25 576	42 725	-

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	Additions 2011
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Domestic and Hostel Furniture	1 499	-	-	-	-	1 499	-	97	-	-	97	1 402	-
Kitchen Appliances	64 696	4 099	-	-	-	68 795	25 152	11 875	-	-	37 027	31 768	4 800
Other Furniture	4 428 457	163 016	-	-	(3 949)	4 587 524	1 796 887	448 969	-	(3 899)	2 241 957	2 345 567	331 102
<i>Motor Vehicles:</i>													
Motor Cars	21 888 118	1 276 827	-	(750 000)	-	22 414 945	9 480 875	3 442 938	(438 750)	-	12 485 063	9 929 882	1 480 302
Trailers	432 137	-	-	-	-	432 137	138 550	59 060	-	-	197 610	234 527	17 742
Trucks and Bakkies	4 608 013	7 159 546	-	-	-	11 767 559	1 166 407	1 658 506	-	-	2 824 914	8 942 646	7 786 405
<i>Office Equipment:</i>													
Advertising Boards	-	514	-	-	-	514	-	8	-	-	8	507	600
Air Conditioners	292 827	560 673	-	-	-	853 500	98 617	104 544	-	-	203 162	650 339	625 102
Audiovisual Equipment	13 158	-	-	-	-	13 158	5 876	2 612	-	-	8 488	4 670	-
Computer Hardware	6 583 426	648 946	303 994	-	(15 573)	7 520 793	3 841 418	1 794 044	-	(4 153)	5 631 309	1 889 484	917 937
Other Office Equipment	3 542 978	135 678	-	-	-	3 678 656	2 306 160	626 397	-	-	2 932 557	746 099	182 000
Paintings and Sculptures	63 218	-	-	-	-	63 218	18 846	3 141	-	-	21 986	41 232	-
<i>Plant and Equipment:</i>													
Domestic Equipment	11 490	19 995	-	-	-	31 486	1 306	4 895	-	-	6 201	25 285	55 000
Electric Wire and Power Tools	44 595	2 941	-	-	-	47 537	14 373	8 299	-	-	22 672	24 865	3 000
Farm Equipment	728 553	-	-	-	-	728 553	19 345	45 907	-	-	65 251	663 302	-
Gardening Equipment	601 754	317 321	-	-	-	919 075	248 243	188 496	-	-	436 739	482 336	338 031
Laboratory Equipment	3 900	-	-	-	-	3 900	1 733	770	-	-	2 503	1 398	-
Medical and Allied Equipment	125 838	-	-	-	-	125 838	55 285	24 001	-	-	79 286	46 552	-
Other Plant and Equipment	4 355 833	-	-	-	-	4 355 833	1 625 565	708 154	-	-	2 333 719	2 022 115	-
Pumps and Plumbing Equipment	670 633	-	-	-	-	670 633	47 208	48 933	-	-	96 141	574 492	-
Radio Equipment	336 328	72 350	-	-	-	408 678	156 767	71 297	-	-	228 064	180 614	103 300
Road Construction Equipment	3 171 653	520 000	-	-	-	3 691 653	110 087	203 630	-	-	313 717	3 377 936	600 000
Security Equipment	100 153	29 218	47 401	-	(33 000)	143 773	66 506	17 228	-	(32 450)	51 285	92 488	95 000
Telecommunication Equipment	58 604	-	-	-	-	58 604	36 852	7 892	-	-	44 744	13 860	-
Woodworking Machinery/Equipment	-	439 430	-	-	-	439 430	-	39 549	-	-	39 549	399 881	439 430
Workshop Equipment	2 351 264	334 320	-	-	-	2 685 584	758 962	310 207	-	-	1 069 170	1 616 414	374 760
<i>Specialised Vehicles:</i>													
Sewerage Collection Vehicles	-	1 529 573	-	-	-	1 529 573	-	22 944	-	-	22 944	1 506 629	1 529 573
<i>Other Assets:</i>													
Laboratories	51	-	-	-	-	51	48	2	-	-	49	2	-
	55 127 490	13 497 286	351 395	(750 000)	(52 522)	68 173 649	22 163 413	9 960 024	(438 750)	(40 502)	31 644 184	36 529 465	15 219 264
Total	937 631 455	128 233 509	68 508 122	81 268 749	(68 725)	1 215 573 110	276 758 685	41 639 904	(7 075 592)	(40 502)	311 282 496	904 290 614	248 499 341
						0.00					0.00	0.00	

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	4 564 000	-	-	-	-	4 564 000	1 374 491	91 633	-	-	1 466 123	3 097 877	-
	4 564 000	-	-	-	-	4 564 000	1 374 491	91 633	-	-	1 466 123	3 097 877	-
						0.00							

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	3 682 311	60 927	-	-	-	3 743 238	2 556 295	565 624	-	-	3 121 919	621 319	68 000
	3 682 311	60 927	-	-	-	3 743 238	2 556 295	565 624	-	-	3 121 919	621 319	68 000
						0.00							
Total Asset Register													
	945 877 766	128 294 435	68 508 122	81 268 749	(68 725)	1 223 880 348	280 689 471	42 297 161	(7 075 592)	(40 502)	315 870 538	908 009 810	248 567 341

APPENDIX C
MOGALAKWENA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 833 915	340 628	341 809	(750 000)	-	2 766 352	1 338 254	481 922	(438 750)	-	1 381 426	1 384 926
Finance and Administration	222 640 896	2 159 093	-	-	(20 152)	224 779 837	56 336 807	8 023 891	(6 636 842)	(3 899)	57 719 956	167 059 881
Planning and Development	4 577 990	87 056	-	-	-	4 665 046	887 126	416 176	-	-	1 303 303	3 361 743
Health	14 663	-	-	-	-	14 663	5 702	2 073	-	-	7 775	6 888
Community and Social Services	1 607 353	689 988	2 260 975	2 251 052	-	6 809 369	455 353	320 799	-	-	776 152	6 033 217
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	4 651 478	879 643	47 401	476 781	(33 000)	6 022 302	2 466 260	754 518	-	(32 450)	3 188 328	2 833 974
Sport and Recreation	6 674 692	778 284	8 884 845	-	-	16 337 822	1 475 486	702 392	-	-	2 177 877	14 159 944
Environmental Protection	883 229	2 550	-	-	-	885 779	372 739	156 688	-	-	529 427	356 352
Waste Management	74 972 692	11 170 354	2 690 922	1 004 145	(15 573)	89 822 540	13 031 365	2 790 184	-	(4 153)	15 817 396	74 005 144
Roads and Transport	311 964 392	54 698 354	31 285 227	19 218 366	-	417 166 339	131 055 711	16 996 851	-	-	148 052 563	269 113 776
Water	173 654 274	40 680 591	20 134 032	57 405 425	-	291 874 322	41 071 109	5 997 638	-	-	47 068 746	244 805 575
Electricity	130 221 889	16 746 170	2 862 910	1 662 980	-	151 493 950	28 154 778	4 884 859	-	-	33 039 637	118 454 313
Other	2 933 991	798	-	-	-	2 934 790	107 996	111 914	-	-	219 909	2 714 880
Total	937 631 455	128 233 509	68 508 122	81 268 749	(68 725)	1 215 573 110	276 758 685	41 639 904	(7 075 592)	(40 502)	311 282 496	904 290 614

APPENDIX D
MOGALAKWENA MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)	Description	2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)
R	R	R		R	R	R
135 291 241	54 678 854	80 612 387	Executive and Council	150 369 880	79 503 000	70 866 879
58 064 800	55 085 295	2 979 504	Finance and Administration	68 059 563	63 926 366	4 133 198
1 641 920	13 596 620	(11 954 700)	Planning and Development	708 991	15 109 455	(14 400 463)
-	29 162	(29 162)	Health	-	42 232	(42 232)
2 939 351	5 100 090	(2 160 739)	Community and Social Services	3 087 510	5 506 970	(2 419 459)
126 470	51 027	75 443	Housing	128 487	112 065	16 422
5 088 964	14 576 127	(9 487 163)	Public Safety	6 400 347	17 603 999	(11 203 652)
3 311 134	6 546 324	(3 235 190)	Sport and Recreation	12 063 826	8 105 363	3 958 464
45 449	1 456 247	(1 410 798)	Environmental Protection	41 421	1 842 135	(1 800 714)
39 074 549	27 601 581	11 472 967	Waste Management	43 145 141	31 539 436	11 605 705
60 131 224	34 842 787	25 288 437	Roads and Transport	89 186 741	42 704 003	46 482 738
112 266 011	69 539 227	42 726 784	Water	137 918 905	77 593 846	60 325 059
137 281 749	99 846 030	37 435 719	Electricity	143 542 942	113 432 529	30 110 413
800 268	934 334	(134 065)	Other	-	1 189 787	(1 189 787)
556 063 129	383 883 705	172 179 423	Sub-Total	654 653 755	458 211 184	196 442 570
(17 233 636)	(17 233 636)	-	Revenue Foregone	(6 123 320)	(6 123 320)	-
538 829 493	366 650 069	172 179 423	Total	648 530 435	452 087 864	196 442 570

APPENDIX E(1)
MOGALAKWENA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	35 268 655	32 307 437	2 961 218	8.40	
Service Charges	180 380 049	181 066 938	(686 889)	(0.38)	
Rental of Facilities and Equipment	720 039	816 205	(96 166)	(13.36)	Budgeted for full contracted amount, of which portion is deferred to next year
Interest Earned - External investments	15 925 024	13 000 000	2 925 024	18.37	Investments held more than budgeted for
Interest Earned - Outstanding debtors	17 229 336	2 120 000	15 109 336	87.70	Budgeted only for anticipated recoverable interest
Fines	1 404 133	1 189 079	215 054	15.32	More fines issued than anticipated because offices are now open on weekends
Licences and Permits	68 910	76 855	(7 945)	(11.53)	Less licences/permits issued than anticipated
Income for Agency Services	8 214 097	6 347 313	1 866 784	22.73	More licences issued than anticipated
Government Grants and Subsidies	367 952 348	400 384 917	(32 432 569)	(8.81)	
Other Income	6 219 059	2 705 066	3 513 993	56.50	Retentions forfeited not budgeted for
Public Contributions and Donations	8 401 556	(8 000)	8 409 556	100.10	Donations received was not budgeted for - improvements to swimming pool
Profit on Sale of Land	6 747 229	4 166 767	2 580 462	38.24	Land Sales exceeded expectations
Total Revenue	648 530 435	644 172 577	4 357 858	0.68	
EXPENDITURE					
Employee Related Costs	145 183 228	152 864 589	(7 681 361)	(5.29)	
Remuneration of Councillors	13 246 031	14 483 810	(1 237 779)	(9.34)	
Collection Costs	90 943	100 000	(9 057)	(9.96)	
Depreciation	41 557 251	44 191 038	(2 633 787)	(6.34)	Decrease in depreciation due to implementation of GRAP 16, 17 and 102
Impairment Losses	37 288 231	32 193 880	5 094 351	13.66	Increased provision due to deterioration of debtor payment rate
Repairs and Maintenance	61 858 101	66 437 744	(4 579 643)	(7.40)	
Bulk Purchases	101 309 966	106 200 000	(4 890 034)	(4.83)	
Contracted Services	12 535 491	13 943 909	(1 408 418)	(11.24)	Savings on expenditure realised
Grants and Subsidies Paid	22 317 127	23 547 653	(1 230 526)	(5.51)	
General Expenses	16 673 272	25 855 104	(9 181 832)	(55.07)	Savings on expenditure realised
Total Expenditure	452 087 864	479 817 727	(27 729 863)	(5.78)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	196 442 570	164 354 850	32 087 720	(19.52)	

APPENDIX E(2)
MOGALAKWENA MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Under Construction	2010/11 Total Additions	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	340 628	341 809	682 437	486 853	195 584	40.17	Capital under Construction from 2008/09 not budgeted for - R303 994
Finance and Administration	2 159 093	-	2 159 093	1 566 968	592 125	37.79	Swimming Pool not budgeted for - R966 845
Planning and Development	87 056	-	87 056	259 965	(172 909)	(66.51)	Savings realised
Health	-	-	-	-	-	0.00	
Community and Social Services	689 988	2 260 975	2 950 964	9 266 339	(6 315 375)	(68.15)	Construction of Library not finalised - R6 239 025 rolled over to 2011/12
Housing	-	-	-	-	-	0.00	
Public Safety	879 643	47 401	927 044	1 119 600	(192 556)	(17.20)	Savings realised
Sport and Recreation	778 284	8 884 845	9 663 130	27 158 357	(17 495 227)	(64.42)	Construction of Sports Node not finalised - R17 443 155 rolled over to 2011/12
Environmental Protection	2 550	-	2 550	3 000	(450)	(15.00)	Savings realised
Waste Management	11 170 354	2 690 922	13 861 276	15 317 236	(1 455 960)	(9.51)	MIG Projects not finalised - R1 186 970 rolled over to 2011/12
Roads and Transport	54 698 354	31 285 227	85 983 581	86 223 155	(239 574)	(0.28)	
Water	40 680 591	20 134 032	60 814 623	83 133 207	(22 318 584)	(26.85)	DWAF & MIG Projects not finalised - R22 265 662 rolled over to 2011/12
Electricity	16 746 170	2 862 910	19 609 081	24 031 761	(4 422 680)	(18.40)	Substation & Streetlight Projects not finalised - R4 123 322 rolled over to 2011/12
Other	798	-	798	900	(102)	(11.31)	Savings realised
Total	128 233 509	68 508 122	196 741 631	248 567 341	(51 825 710)	(20.85)	

APPENDIX F
MOGALAKWENA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	80 818 213	64 654 571	48 490 928	0	45 239 193	50 854 091	53 498 057	50 401 852	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 000 000	0	0	0	183 464	52 770	532 699	231 067	N/A	N/A	N/A	N/A	N/A	Yes	N/A
NDPG	Nat Treasury	3 099 370	0	29 979 181	10 000 000	0	3 454 696	4 353 729	9 941 198	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	25 000 000	20 000 000	0	49 140 000	12 989 768	31 893 886	21 867 589	30 849 902	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	9 526 688	5 947 239	14 052 883	34 625 995	14 603 994	10 815 003	6 055 503	4 555 241	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF O & M	DWAF	3 792 000	4 873 000	3 868 000	0	3 133 250	3 133 250	3 133 250	3 133 250	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	0	0	0	0	0	0	0	223 133	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	750 000	0	0	0	158 333	158 333	158 333	275 000	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPW Incentive Grant	Province	0	0	830 000	479 000	0	0	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		123 986 271	95 474 810	97 220 992	94 244 995	76 308 001	100 362 029	89 599 160	99 610 643	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																